THE FREEMAN

IDEAS ON LIBERTY

Fore: Watch Out for Government Golf!

Is Voluntarism Enough?

The Pine Barrens Parousia

Has Capitalism Failed?

AUGUST 1997

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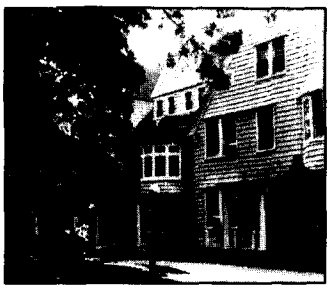

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August 1997 Vol. 47, No. 8

THE FREEMAN

IDEAS ON LIBERTY

FEATURES

460 **The Pine Barrens Parousia: A Reporter's Notebook** *by Matthew Carolan*
Feisty landowners fight land-use regulation on Long Island.

462 **Transfer of Development Rights: Top-Down Planning in Disguise** *by Sarah Foster*
Beware "market-based" or "market-oriented" regulatory schemes.

467 **Government Funding for Not Training Doctors: Another Odd Program** *by Herbert London*
An idea as flawed as agricultural subsidies.

469 **Fore: Watch Out for Government Golf!** *by Raymond J. Keating*
What's wrong with amateur golf—and what could go wrong with pro golf.

472 **Henry Grady Weaver's Classic Vision of Freedom** *by John M. Hood*
Honoring the fiftieth-anniversary edition of *The Mainspring of Human Progress.*

479 **"From Small Beginnings": The Road to Genocide** *by James A. Maccaro*
How the German medical profession came under the total domination of the Nazi regime.

482 ***Government: An Ideal Concept*—Leonard Read's Formula for Freedom** *by Esler G. Heller*
Reassessing a classic.

488 **Why Managed Trade Is Not Free Trade** *by Robert Batemarco*
A crucial distinction.

491 **One Life for Liberty** *by Becky Akers*
The story of Nathan Hale.

496 **Anne Robert Jacques Turgot, Who First Put Laissez-Faire Principles into Action** *by Jim Powell*
A champion of religious toleration, free expression, sound money, and prudent government.

511 **The Undiscountable Professor Kirzner** *by Roger W. Garrison*
A look at Israel Kirzner's *Essays on Capital and Interest.*

COLUMNS

Center *NOTES from FEE*—**Coercivists and Voluntarists** *by Donald J. Boudreaux*

465 *IDEAS and CONSEQUENCES*—**Deregulation: Coming to a Utility Near You** *by Lawrence W. Reed*

477 *POTOMAC PRINCIPLES*—**Is Voluntarism Enough?** *by Doug Bandow*

508 *ECONOMICS on TRIAL*—**Has Capitalism Failed or Succeeded? The Tale of Two Graphs** *by Mark Skousen*

DEPARTMENTS

458 **Perspective**—W. J. Brogdon, Jr., George C. Roche III

514 **Book Reviews**

Red Flag Over Hong Kong by Bruce Bueno de Mesquita, David Newman, and Alvin Rabushka, reviewed by George C. Leef; **Facts, Not Fear: A Parent's Guide to Teaching Children About the Environment** by Michael Sanera and Jane Shaw, reviewed by Gregory F. Rehmke; **Up From Poverty: Reflections on the Ills of Public Assistance**, edited by Hans F. Sennholz, reviewed by Dale Matcheck; **Libertarianism: A Primer** by David Boaz, reviewed by John Attarian; **Epitaph for American Labor** by Max Green, reviewed by David Kendrick.

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PERSPECTIVE

A Private-Enterprise Gold Standard?

How can a business with international sales protect itself from fluctuations in exchange rates caused by monetary policy? One small custom-automobile builder in England is trying a simple, if radical, solution: Marlin Cars of Crediton, Devon, has announced prices for their handmade cars in ounces of gold. Marlin cars combine modern engines, transmissions, and suspension systems with traditionally styled aluminum bodies and box-girder steel frames. In preparing to fill sales orders from various countries, Marlin has become caught up in the growing controversy over European Currency Units.

Terry Matthews, Marlin's director, said, "We're sick and tired of all this posturing by politicians, pundits, and economists over whether the U.K. should opt in, opt out, or even 'twin-track'—so we've decided to go it alone. We're more than happy to cut short the debate by quoting the international prices of our cars in gold." Ms. Matthews says that the company is valuing a basic Marlin Hunter two-seat sports-tourer with electric windows, manual gearbox, and a Ford DOHC 2.0 liter engine at 85 ounces of gold.

"This means that a customer anywhere in the world only needs to check this figure against the prevailing local rate for gold bullion to get an actual price of one of our cars," she adds. "As a standard, the quantity in circulation is relatively stable; no one can easily print more of it to satisfy short-term economic or political goals. As a unit of value, gold is recognized the world over as a hedge against monetary uncertainty."

Strong historical evidence shows that governments consistently inflate money in an effort to obtain more taxes. This has been true at least back as far as the Roman Empire, when Rome began making coins of less valuable alloys. The problem is becoming acute in Europe, where the search for a common currency has revealed in stark detail the reluctance of nearly every country in the European Union to give up control of their money. Conservative economists have tried

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for years to get governments to readopt the gold standard, with little success. Such decisions are more political than logical, and there are many monetarist economists who think that returning to the gold standard would be disastrous. It certainly would wreck their active monetary policies, but it could give a stable basis for exchange, with low interest rates for borrowing and the ability to save with security.

Is it possible to establish a "private" gold standard, that is, one independent of government action, one dependent on markets alone? This little company believes it is, strongly enough to become the spearhead of a movement to quote prices in gold. The beauty of Marlin's policy lies in the inability of any government to forbid it. Countries can forbid private ownership of gold, but can't prevent their citizens from using the price of gold as a standard for exchange. The danger of this concept lies in the fluctuations in gold prices with respect to local money. Yet that very danger becomes a strength when measured against a currency of declining value. With all the debate about establishing a gold standard and multinational fiat money, why can't businesses simply quote the prices of their products in gold? Why indeed can't they establish a de facto gold standard? One tiny company is betting that it can be a start.

—W. J. Brogdon, Jr.

Bill Brogdon, a retired captain in the U.S. Coast Guard, resides in Cape Carteret, North Carolina.

State and Society

Some astute observers, such men as Nietzsche and Burckhardt, were warning as long ago as the mid-nineteenth century of the dangers stemming from the new mass-man and the new mass-state. Social critics of our own time, of the stature of Wilhelm Roepke and Ortega y Gasset, have pointed to more and more signs of the dangers inherent in the centralized modern state. Meanwhile, the consolidation of power in the new dispensation has steadily advanced.

In Frank Chodorov's words: "The present disposition is to liquidate any distinction between State and Society, conceptually or institutionally. The *State is Society*; the social order is indeed an appendage of the political establishment, depending on it for sustenance, health, education, communications, and all things coming under the head of the pursuit of happiness."

Such a system gives far too little to man's freedom or personality. The state swallows the individual. Even if such centralization were efficient in the satisfaction of human wants, which it is not, the means used to achieve the end would still be unacceptable simply because they are incompatible with human freedom.

Even more dangerous, perhaps, is the risk that the very concept of freedom itself can become so misused and distorted within such a society that no individual dare lay claim to any rights or dignity having a higher source than the society in which he lives. At that moment, the guarantees developed by Western civilization to protect the individual from the arbitrary exercise of power have in effect all been swept away, no matter what label that society might give itself.

Once such checks upon the exercise of power have been removed, all the internal vitality and freedom within such a society are open to destruction in the name of "order." Soon the preservation of "order" or the pursuit of the "greatest social good" is identified with whatever action the wielder of centralized power deems suitable. Resistance against the exercise of such power comes to be viewed by society not as an expression of human individuality and free choice, but as an assault upon the public good, a crime of the selfish individual against the selfless community.

—George C. Roche III
The Freeman, August 1967
adapted from "Power"

Dr. Roche, a former FEE staff member, is president of Hillsdale College.

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IDEAS ON LIBERTY

The Pine Barrens Parousia: A Reporter's Notebook

by Matthew Carolan

Circling the corner of Doe Run in Manorville, New York, my guides and I came across a young married couple discussing with their landscaper the finer points of decorative rock gardening. Just another idyllic day here on the East End of Long Island, it seems, a stone's throw from the lovely Peconic River.

Right behind the couple's home, however, stands a large parcel of land, which belongs to Gloria Hendricks, a Manhattan resident. Ms. Hendricks will never be able to do rock placement with her landscaper, though, or even cut down a pine tree on her property. Despite being in the same neighborhood, in the same "ecosystem," and on top of the same aquifer as her neighbors, an environmental "emergency" has led to the suspension of *her* property rights, in a display of public policy that can only be compared to a parousia.

A parousia is, biblically speaking, a phenomenon where "one will be taken, the other shall be left behind." Translated into land-use terms it means some will be allowed to build or get bought out, others won't. Translated into constitutional terms, it means a violation of equal treatment under the law.

Take Doe Run, for example. My guides and I observed several choice building plots for sale, next to beautiful new homes currently valued at around $300,000.

Indeed, all sorts of parousia-like exceptions have been made for certain people in the Pine Barrens. Certain town parcels, school districts, and large real estate developers' plots have been magically declared out of the ecosystem; market-value cash payments have been made to other large corporate landowners; and cash-strapped landowning boy scouts have received big checks in photo-ops with the governor, and disappeared without a complaint.

Meanwhile, other landowners, many of them elderly, get no cash, no exemptions, and have no place to go.

These small landowners are the victims of years of regulatory warfare waged on them by their government. It started to reach critical mass back in the early-to-mid-1980s, when the first newspaper articles appeared touting the importance of the Pine Barrens aquifer, a water supply, it is alleged, threatened by development on the East End. What's more, lawsuit after lawsuit came from environmentalist visitors to the island, to protect the "open space" or "viewshed," and the dwarf pine, the harrier hawk, and the buck moth.

The end result of all this agitation, spearheaded by the Long Island Pine Barrens Society, has been the passage by the state of New York in 1993 of the Long Island Pine Barrens Preservation Act. The act has been sold as essential to protect Long Island's drinking water. That is not true. Studies by

Matthew Carolan is executive editor of National Review.

For additional information, contact the Civil Property Rights Associates, P.O. Box 202, Brightwaters, NY 11718, (516) 665-2020.

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consultants to the Suffolk Water Authority have shown not only that one-acre development throughout the county could occur with no damage to the water supply, but also that there is another lower glacial aquifer that is virtually incorruptible and can supply the county for centuries. (There are also options like private water rights and markets, which no one seems to have explored.)

The landowners have no representative on the newly created "Pine Barrens Commission," an unelected body comprised of the supervisors of the three major East End towns (Riverhead, Southampton, and Brookhaven), the Suffolk County Executive, and a representative of the governor. Some of those members rarely attend the meetings, sending subordinates instead, all the while coordinating with technocratic zeal the massive project of eliminating development in the Pine Barrens—even though they have never read the entire Pine Barrens law. They also rely on the town boards, many of whose members also have never read the two-inch thick document to "upzone" the land; that is, increase the minimum number of acres that any home must be built on, to reduce its value, and thereby reduce the compensation due landowners, in cash (unlikely) or payment in dubious transfer of development rights (see related story, p. 462). Meanwhile, the landowners pay taxes on the original pre-zoning value of the land, and those taxes are regularly raised by the towns.

"As a political official I'm often invited to regulatory seminars," says Gary Vegliante, Republican mayor of Westhampton Dunes, and one of the few politicians critical of the Pine Barrens legislation, "and you'll hear government agency officials, regardless of their political disposition . . . get up there and say, 'well, upzoning is an excellent way of reducing the value of an area, and later if you're looking through the condemnation process you'll acquire it more cheaply.'"

Not that condemnation is an option here. Transfer of development rights is the vogue because, as Suffolk County planner Lee Koppleman advised back in the 1980s, condemnation means ceding control over the fair market value to a judge, exactly what the cash-strapped county does not want.

Indeed, on two occasions the county has raided sales-tax monies set aside for cash compensation to the landowners to balance its budget—once under a Republican, once under a Democrat.

The county has also picked up many parcels of land of dead people, or by tax default, or by sheer exhaustion. Russell Furia, who had signed contracts worth millions for the development of his 75 builder's acres, saw landowners across the street from him protected from upzoning and regulation, while he ended up pleading with county planners to develop 30 houses. Then 12, on two-acre plots, and again on one-acre plots, both times with land donation. Then one—with land donation. Each time he was told no. They knew they had him over a barrel; he couldn't afford the taxes for long. After ten long years he sold out to them at what he estimates was a total loss.

Edwina Foster tried to complain. She, two sisters, and a brother, who were left land by their grandmother, put up a sign denouncing the zoning law changes, tax hikes, arbitrary applications of state law, and the dubious transfer of development rights—the "Pine Barrens Land Theft"—that had deprived them of their familial compound. For that sign they were called into court for violating the zoning law.

I have personally met some of the landowners—a handful of feisty elderly people, members of the Civil Property Rights Associates. So desperate are they for help that they drove over an hour to a diner near my home to talk with me. One nonagenarian, who has battled the county for decades, had wanted to come too, but the others feared for his health. They have scraped together everything they have for a suit which at this writing is in federal court. Some of them talk wistfully about the Suitum case, hoping that it will mean the end of transfer development rights. Perhaps then, the motley band of environmentalists, craven politicians, and snobby anti-growth types will measure their own passionate version of the public good against the Framers' demand for cash compensation. But right now these poor folks have virtually nowhere to turn. I'm not sure what I can do—except tell every person I know about this tyranny. □

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Transfer of Development Rights: Top-Down Planning in Disguise

by Sarah Foster

Radicals of the 1930s had a favorite saying: Take it easy, but take it. That is to say, a step-by-step, easy-does-it approach is the most efficient and palatable way to implement socialism. Their intellectual heirs understand the principle even better, and have had over 60 years to perfect strategies. Although the idea of centralized economic planning is currently out of favor and there is resistance to "top-down" policies, the effort to increase governmental control over our lives and property has never slackened.

The most successful strategies today are processes that demand active public participation, thereby creating an illusion of popular control and "bottom-up" policy- and decision-making. One such tactic is to insert trading or selling mechanisms into blatantly socialistic schemes and label them "market-based" or "free-market-oriented."

The use of transfer of development rights (TDR), which city councils across the country are making part of the local building-permit process, is the strategy adapted to land-use regulation. For every case where a property owner's rights and the land itself have been trampled by agents from the U.S. Fish and Wildlife Service or Army Corps of Engineers, thousands of quiet "takings" are exacted by local governments using TDR.

Ms. Foster is an associate of the Western Journalism Center.

TDR is, in essence, a system of land designation, with certain parcels being categorized either as "sending" or "receiving" sites. Development is restricted or completely denied on the first, while permitted on the latter. As described by city planner Rick Pruetz: "Using TDR, development rights which are not used at a sending site can be transferred to a receiving site where additional development is consistent with community objectives."[1]

TDR rests on the concept that "title to real estate is not a unitary or monolithic right, but . . . a 'bundle of individual rights,' each one of which may be separated from the rest and transferred to someone else, leaving the original owner with all other rights of ownership."[2] Mineral rights are an example. In practice, here's how it works. Property owner A wants to build an apartment house, but his parcel is zoned for a single-family home. Across town, owner B is told she can't develop her land because a species of endangered fly lives there. Not to worry. The government grants the owner of the fly-specked parcel permission to sell the rights she's forbidden to exercise to the man who wants to build an apartment house. If each learns of the other's plight and A buys the ersatz rights from B, owner A can build to a greater density than otherwise allowed. In other words, B has sold a zoning variance to A, probably for "peanuts." B still owns the land and must continue paying taxes on it.

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Dodging "Just Compensation"

Proponents admit TDR is a way for governments to take land out of use while dodging the "just compensation" requirement of the Fifth Amendment. According to Pruetz:

> Often, communities are reluctant to restrict development on the sending sites without providing some kind of compensation to the property owner, and usually there is little or no public funding to provide this compensation. TDR solves this problem by providing transfer of development rights as compensation. The community saves the sending site with little or no public expenditure.[3]

TDR is used not only to preserve open space, historic landmarks, agricultural land, and natural areas like hillsides and streams, but also to force "densification" and "urbanization" when a city council or other agency decides people ought to live downtown instead of in suburbs. It can be the primary system of land-use regulation, a substitute for—or used with—zoning power. Whatever the goal, the agency simply designates "sending" and "receiving" areas or sites. "We only set the policy," the planners say. "You, the public, are free to work out the details in the marketplace."

Since the purpose of TDR is to force participation in government-created "markets," excessive controls on land use are necessary. As Pruetz puts it: "Successful TDR programs strongly encourage transfers by making development difficult or impossible on sending sites . . . [and] . . . making it difficult or impossible to achieve additional density on receiving sites without using the TDR method."[4]

The TDR idea was introduced in the 1960s, but it's taken time for it to catch on among local governments. Not surprisingly, as more and more people find themselves in "sending" areas and would-be developers of "receiving sites" suddenly discover the additional permitting costs and requirements, resistance is growing. But in anticipation of such public awareness, the architects of TDR set up roadblocks on the usual avenue for redress: the courts. To date, it's been difficult, if not impossible, for an aggrieved property owner to have a "takings" hearing.

That could change. In February of this year, the U.S. Supreme Court heard *Suitum v. TRPA*, which both sides agree is the most important "takings" case in half a decade. Though in a wheelchair and nearly blind, the 82-year-old plaintiff, Bernadine Suitum, made the trip from her home in Sacramento to Washington, D.C., to hear her case argued by attorney R. S. Radford of Pacific Legal Foundation. The Sacramento-based public-interest law firm is well known for its successful handling of such cases as *Lucas v. South Carolina Coastal Council* and *Dolan v. City of Tigard, Oregon.*

Mrs. Suitum had taken on one of the most powerful regulatory agencies in the country: the Tahoe Regional Planning Agency (TRPA), a bi-state entity formed in 1970 as a compact between Nevada and California, with approval by Congress. TRPA exercises virtually complete control over land use in the Tahoe Basin through a particularly complex and draconian TDR program.

In 1987, ostensibly to improve the clarity of Lake Tahoe, TRPA developed a new general plan designed to limit the number of houses. About 10 percent of the Basin's 204,000 acres were designated as "stream environment zones" (SEZ), and off limits to development. The empty parcels within these zones, argues TRPA, are "sponges" that filter storm runoff so contaminants don't get into the lake.[5]

Mrs. Suitum owns such a parcel, a 2/5th-of-an-acre lot she and her late husband acquired in 1972 in Incline Village, Nevada. When, in 1989, she was financially able to build her long-deferred dream house, she was told her tiny parcel was in a SEZ and any new "land coverage," such as a house, was prohibited. Never mind that hers was almost the only vacant lot in a now completely built-up residential area and has houses on three sides.

But though Mrs. Suitum had to leave her land vacant as an alleged public benefit, TRPA refused to admit this was a "taking" and denied her claim for just compensation. Worse, she was not even allowed to contest it in court. Normally, when a government entity wants your land, say, for a school or road, and you say "No," it seeks a condemnation order in court. Then follows a lot of haggling, and

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you may or may not receive "just compensation," but at least you get something.

In the case of "regulatory taking," where government wants a particular property kept in a natural or otherwise restricted state for the "public good," doesn't want to pay for it, and has passed a regulation preventing development or other use, the property owner asks the court to determine if a "taking" has occurred. If the court says one has, price wrangling can begin.

In Mrs. Suitum's case, the lower courts ruled that since Mrs. Suitum had not participated in the quasi-sales process made available through TRPA, it was impossible to determine if a "taking" had occurred. Therefore, she'd have to go through that process first.

TRPA had given Mrs. Suitum three kinds of TDRs and basically said "Go peddle 'em." But not to just anyone. No, the buyer or buyers must be certified eligible by TRPA and any sale had to be TRPA approved. Specifically, she was granted one Land Coverage Right of 183 square feet (about the size of a bedroom), a Residential Development Right (representing a single-family house or unit), and the "right" to participate in a yearly lottery for a Residential Allocation. TRPA admits her chance of winning this last is about one in five. *None of these so-called rights enables Mrs. Suitum to build her home on her own lot.*

Mrs. Suitum sued, claiming that despite TRPA's claims, her property had been rendered worthless and the TDRs were of no value since there's no real market for them. How was she, an elderly person in a wheelchair, expected to sell such intangibles? Was she to go door to door asking folks if they needed a credit to build an extra bedroom?

TRPA officials were shocked at the challenge. "She's asking to take away some of the tools that are used to make the world a better place," announced one outraged TRPA attorney, in effect speaking for bureaucrats and planners everywhere.

The case has focused on the Constitutional issues of denial of just compensation as guaranteed by the Fifth Amendment and denial of due process guaranteed by the Fourteenth, since Mrs. Suitum has been denied access to the courts on the question of compensation. In late May the High Court ruled unanimously in her favor on the "due process" issue, opening the way for her long-deferred day in court. It's now up to a Nevada judge to decide if Mrs. Suitum is entitled to compensation. Left unresolved, however, is the broader issue of TDR since she did not challenge the validity of the land use regulations that underlie the process. The Court noted, "... her only challenge to the TDRs raises a question about their value, not about the lawfulness of issuing them. Suitum seeks not to be free of the regulations but to be paid for their consequences."

Though the decision is not as far-reaching as many hoped it would be, the case has brought the issue of TDR to the foreground of discussions on property rights and government processes. As long as the State claims a "right" to take property for whatever reason—and the public agrees to the principle—the proper place for dispute and settlement is the courtroom, not the marketplace. The face-off should be between the individual and the State, not between individuals forced to participate in phony market schemes to achieve government "goals."

This leads to the deeper issue of goal-setting by the State. What right have planners and government officials to set goals of any kind for the "community"? Why should people be forced to participate in their implementation? Matters of land use, child care, education, or any of a host of other concerns—none of these are areas for government involvement, let alone goal-setting. This is centralized, top-down planning in disguise, foisted on an all-too-complacent populace. That's the basic issue in the TDR dispute and what must be challenged. □

1. Rick Pruetz, *Putting Transfer of Development Rights to Work in California* (Point Arena, Calif.: Solano Press, 1993), p. i.
2. Jerome G. Rose, et al., *The Transfer of Development Rights: A New Technique of Land Use Regulation* (New Brunswick, N.J.: Center for Urban Policy Research, Rutgers University, 1975), p. 3.
3. Pruetz, p. 3.
4. Pruetz, pp. 2-3.
5. *Sacramento Bee*, February 23, 1997, p. A1.

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Deregulation: Coming to a Utility Near You

One of the most important policy debates of 1997 concerns deregulation of the nation's electrical power industry. The issue, a hot topic at both the federal and state levels of government, boils down to a simple question: If this protected and tightly controlled industry is thrown to the marketplace, who will benefit and will prices rise or fall?

If deregulation of natural gas, telecommunications, railroads, airlines, and trucking are any indication at all, consumers have nothing to worry about. The experience in those industries strongly reinforces what economists have been telling us for decades: Competition is good; if allowed to work its wonders it will improve service and efficiency while cutting costs to consumers. That's the message of a very important study circulating in Washington and in state capitals as the electricity debate intensifies.

The study, published a few months ago by the Center for Market Processes at Virginia's George Mason University, was written by economists Robert Crandall and Jerry Ellig. Titled "Economic Deregulation and Customer Choice: Lessons for the Electric Industry," it has received wide attention and high acclaim since its release. It prompted *Newsweek* columnist Robert Samuelson to observe that when deregulation is done right, "it pays big dividends."

Take the deregulation of natural gas, for starters. Various self-anointed consumer advocates predicted that when President Reagan eliminated the last of the controls on natural gas in 1985, prices would skyrocket. They also said that the United States would experience a shortage of gas. They were wrong. Prices plunged and no one these days wonders if we're going to have enough of the stuff. Adjusted for inflation, wellhead prices fell by 60 percent between 1984 and 1995. Residential and commercial customers saw their gas prices drop by at least 32 percent.

Consumers are also better off because of the deregulation of the trucking industry, which began in 1980. The number of carriers doubled in the first six years. Prices are down between 28 percent and 56 percent, Crandall and Ellig show.

Railroads suffered under the thumb of federal rules longer than any other American industry—since 1887, in fact. Regulations stifled competition, boosted costs, reduced management flexibility, and left railroads unable to compete effectively with alternative, and often subsidized, modes of transportation. The result of decades of regulation was widespread shrinkage of the industry and the bankruptcy of many individual companies.

Along came railroad deregulation in 1980. Since then, prices have declined 44 percent. Delivery time has improved dramatically. The industry is showing some life again.

Since telecommunications was opened to competition and market forces in the early 1980s, long-distance prices have been cut almost in half. Spurred by competition, tele-

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communications providers have invested a fortune in fiber optics—replacing copper wires with technology that permits far greater efficiencies and higher quality service.

Finally, airline deregulation has worked wonders, too. Far more Americans are flying today than before deregulation, largely because prices have dropped by almost one-third since 1978. Planes are safer than ever before. Now, if only governments would deregulate the airports they own, or sell them, we can cure the remaining problems that plague air travelers on the ground.

What are the free-market lessons here? "Within ten years of deregulating each industry," write Crandall and Ellig, "prices were at least 25 percent lower, and sometimes close to 50 percent lower."

Already, electric utility deregulation in Great Britain and New Zealand has resulted in greater supplies of electricity and lower prices. Electrical deregulation in the United States can be a certain winner too, but we may first have to expunge from the debate a longstanding myth about why government became involved in this industry in the first place.

For years, most people thought that electric power could not be a competitive enterprise with multiple providers operating in the same market. To prevent price gouging and other abuses, it was widely assumed that government would either have to own electric companies or heavily regulate the rates and practices of private ones.

Utility monopolies were once considered "natural" because it seemed more efficient if one firm provided the electricity for a given area, rather than having two or three firms string power lines through neighborhoods. The acceptance of the concept of natural monopoly, however, did not proceed from careful, objective study.

In the early 1900s, electric utility pioneer Samuel Insull of Chicago Edison led a nationwide public relations campaign to convince politicians, the media, and the general public that utilities should be regulated as monopolies rather than be subject to competition. Historian Marvin Olasky has found that Insull's goal as president of the National Electric Light Association (NELA), a major utility trade group, was to "show the public that competition in public utilities was unfeasible."

Insull's first strategy was to "heighten fears of socialism in order to promote acceptance of government-regulated monopoly as a less-undesirable alternative." The NELA advanced its agenda, according to Olasky, with the unwitting help of the news media: "Annual payments of $84,000 from Insull's NELA allowed Hofer [an Oregon public relations firm] to send out almost 13,000 newspaper articles annually. The articles usually appeared as unattributed, 'original' editorials."

In addition, Insull and other utility executives lobbied local newspapers and politicians persistently to support the idea that regulated private monopolies were good for industry and for consumers. Utility officials even paid to have chapters promoting natural monopoly included in textbooks and, reports Olasky, "moved to excise from government and economics textbooks passages opposing regulated monopoly."

Greg Rehmke of the Free Enterprise Institute in Houston, an authority on the history of high-school debate competition, says that a Missouri utility executive once sent a colleague to investigate the judging of St. Louis high-school debates concerning electric railways because the debates had been won by those critical of the regulated monopoly position. This executive reported back the disquieting truth, says Rehmke, that the anti-monopoly debaters were winning because they had better arguments.

Between 1905 and 1934, 40 states established public utility commissions to protect established utilities from new competition and to regulate them as "natural" monopolies. Economist G. A. Jarrell, in the October 1978 *Journal of Law and Economics*, showed conclusively that utility regulation was the direct result of the utilities themselves lobbying for legislation that would protect their profits by keeping rates high and freezing newcomers out.

In almost every state today, the debate over electricity deregulation is in full swing. Legal

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barriers that have prevented customers from purchasing electricity from anyone but the local utility monopoly may soon be abolished. That means customers can then choose from competing providers, much as they now choose which long-distance telephone service they want.

The companies which have long enjoyed protected monopoly status granted by state and local governments will have to prove that they can do the job better than firms from other states that will want to enter the market. New companies no one can yet envision may also spring up. You can bet that better service and lower prices will be the result.

The world is entering a new era of global markets—highly competitive and driven not by central planners but by the forces of supply, demand, and technological advance. In that environment, there's nothing about electricity that makes it anything but a prime candidate for vigorous deregulation. □

Government Funding for Not Training Doctors: Another Odd Program

by Herbert London

In a plan many health experts describe as "brilliant" and "innovative," federal regulators announced recently that for the next six years they would pay New York State hospitals *not to* train physicians.

Of course, this plan isn't unprecedented. For years the federal government paid farmers to let fields remain fallow. Now, the 41 teaching hospitals in New York State will be paid $400 million not to train new physicians.

The purpose behind this proposal is to reduce the surplus of doctors and save money. Dr. Alan Hillman, a professor of health policy at the University of Pennsylvania, is quoted in the *New York Times* as an endorser of the plan. "I've never heard anything like this before. But I really can't find any fault with it. Maybe this is one of the first rational collaborations between hospitals and the Government."

This plan was devised and proposed by officials of the Greater New York Hospital Association, with the active compliance of prominent politicians. Since New York trains 15 percent of the nation's doctors and the federal government finances that training to the tune of $100,000 a year for each resident, the argument is made that fewer training residents will result in a net financial benefit for the hospitals.

Amid the congratulations and the backslapping is a scheme as flawed as the nation's

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agricultural program. If anything, this plan demonstrates yet again that politicians and health administrators know almost nothing about economics. Leave aside the absurd subsidy for the training of physicians, which the market could easily address without government intervention; by paying hospitals not to train new doctors, health costs will be artificially increased. After all, dramatically more doctors in an environment with modest population growth will in time decrease the cost of medical care.

What about the experts who say they can't find fault with this plan? Perhaps they also believe it was rational to subsidize farmers for not growing food. If this is a logical plan for hospitals and farmers, why stop there? There are probably too many telephone carriers; after all, the price of long-distance calls has been decreasing continually over the last several years. Should carriers be subsidized for *not* installing new lines?

Invariably there is the politician who believes he is smarter than the market. There is always the naysayer contemptuous of the "invisible hand." So enthralled are pols with the New York plan that they have already objected to the "limited scope" of the program.

So this is how tax dollars are to be employed. Presumably health-maintenance organization standards and medical innovations which reduce hospital stays and the number of occupied beds will lead to further subsidies for hospitals that are operating at the margin. The logic of this plan leads inevitably to a situation similar to Soviet manufacturing or government-subsidized coal mines in the United Kingdom. Even when these entities ceased to have an economic rationale for their existence, government funds supported them.

As an explanation for their enthusiastic embrace of the plan, hospital executives said the program would encourage them "to wean themselves from their dependence on the cheap labor of residents." This, too, has an odd ring to it. Hospitals currently receive large subsidies for doctors-in-training who are then paid a modest wage for a 90-hour work week. The logic is that these residents are being trained on the job. But as hospital administrators readily admit, residents engage in tasks that could easily be performed by less highly trained personnel or even machines.

Far better, it seems to me, to eliminate the government subvention and put hospitals in the position of training or not training residents as they see fit. There isn't any reason to assume that medicine must be treated differently from unsubsidized professions.

Should a free-market scenario be considered, there would be physicians without government assistance and generally lower medical expenses when hospitals apply the efficiencies of the marketplace. As things stand, the advertised public approval of the fee-for-doing-nothing plan is a function of economic ignorance and political backscratching.

Admittedly, many farmers benefit from parity pricing that encourages idle fields. But just as surely, Americans are generally not better off with food prices rising artificially and tax subsidies to hospitals for not training doctors. □

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THE FREEMAN
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Fore: Watch Out for Government Golf!

by Raymond J. Keating

Politicians love invoking sports metaphors in speeches almost as much as they relish doling out subsidies to professional sports like baseball, football, hockey, and basketball.

Political rhetoric is sprinkled with such sports-laced phrases as playing defense or going on offense; protecting a lead; throwing a Hail Mary pass; long shots versus favorites; fumbling legislation; the political line-up; winning by a nose; hitting a home run; playing hardball; and, of course, three strikes and you're out. At times, economists use such metaphors as well.

But other than the standard "par for the course" cliché, which is used in general conversation, golf rhetoric stands neglected in political and economic discourse. Such neglect is rather peculiar for several reasons.

First, golf is quite popular among politicians and economists. For example, as Shepherd Campbell and Peter Landau note in their book *Presidential Lies*, all but four U.S. presidents since William H. Taft have enjoyed the game of golf with varying degrees of success and enthusiasm. According to the authors, Presidents Kennedy, Ford, Eisenhower, Franklin D. Roosevelt (prior to contracting polio), Bush, and Reagan generally possessed the best games, though Clinton, Nixon, Taft, Harding, and Wilson ranked as serious devotees. FEE founder Leonard Read was a better-than-average golfer who occasionally used golf anecdotes in his writings. But the golf metaphor stays as rare in politics and economics as a double-eagle on a par 5.

Second, golf terminology would seem to lend itself to the ups and downs of the political world. For example, birdies, bogies, eagles, hooks, slices, buried lies, the rough, traps and bunkers, the left-to-right fade, the right-to-left draw, the yips, the dreaded shank, and of course, gimmes, would seem to offer a wealth of metaphoric opportunities.

Third, the actual manner in which golf is played should provide metaphorical grounds as lush as any fairway at Pebble Beach. More than any other sport, golf should appeal as a rhetorical tool for free-market economists. After all, the PGA Tour golfer stands as a model of the rugged, individualistic entrepreneur. Don't let those manicured greens and whispering television announcers fool you. Market judgment on the tour is swift and unequivocal. In few other sports is compensation on a week-to-week basis so closely tied to performance. When a player labors in a slump lasting a few weeks during the baseball season, for example, he still gets paid. In golf, a severe slump means missing the cut, and not getting paid at all. On the other hand, winning or finishing in the top ten at a tour event translates into a tidy profit.

On the PGA Tour, big bureaucracies do not

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exist. Each golfer's support staff is largely limited to a caddy. Some pros might have an instructor and an agent as well. The golfer is a lean and mean sole proprietorship.

In addition, the ever-varying terrain of the golf course should serve as a sound metaphor for changing conditions in the marketplace. From course to course and hole to hole, the market changes and shifts, requiring planning, creativity, and innovation.

Market economists could also use golf to point out the woes of the welfare state. For example, in golf a "gimme" means taking a short putt without actually putting the ball into the hole—i.e., a gimme is something for nothing. The entire welfare state is built on the concept of gimmes.

Also, amateur golf subscribes to the handicap system, whereby players are given a certain number of strokes per round based on skill levels. The worse your game, the more strokes you are granted. This handicap system supposedly allows golfers of varying abilities to compete together.

However, what the handicap really amounts to is welfare for noncompetitive golfers, i.e., a subsidy for bad golf. The handicap is a crutch for golfers lacking the necessary ability, drive, and hard work it takes to actually compete and excel.

Still, politics and economics are disciplines as barren of golf references as Scottish links are of trees. Unfortunately, government is certainly not absent from the business of golf.

The Business of Golf

I have written in these pages before about government's extensive involvement in professional sports, particularly through the ownership and financing of stadiums and arenas. Golf is a little different in that government is *almost* completely, and refreshingly, absent on the PGA Tour, but is quite pervasive at the amateur level.

Currently, only one of the 43 PGA Tour stops each year is played on a municipal golf course. The Buick Invitational of California takes place at the Torrey Pines Golf Club, owned by the city of San Diego. Otherwise, the tour has been blissfully free of government golf courses.

However, a rather dramatic change will occur in 2002. The venerable U.S. Open—one of golf's four "majors"—will be played on the Black Course at Bethpage State Park in New York.

Not only will it be the first municipal course to host the U.S. Open, but Bethpage State Park also ranks as the largest government golf complex in the nation. Indeed, Bethpage represents what is wrong with amateur golf, and what could go wrong with professional golf.

The Bethpage golf center on Long Island has been decades in the making. In 1929, the state of New York bought the Lenox Hills Country Club. Three more courses were added in the 1930s, courtesy of the renowned golf architect A. W. Tillinghast and federal taxpayers through FDR's Works Projects Administration. Another course was added in the 1950s. (In total, New York State owns 17 golf facilities which include 23 18-hole courses.) Bethpage is the "big dog" of government golf centers.

However, the government body with by far the largest number of golf courses under its control is the U.S. federal government. The feds own more than 300 golf courses, with some 230 under the Department of Defense (DoD). The DoD asserts that it needs these golf courses for morale purposes. Of course, there is no reason that members of the military cannot play on the same golf courses the rest of us do. The federal government claims it makes money on its golf courses, but outside groups have noted that when properly accounting for all costs, these courses lose about $60 million per year.

Across the nation, according to the National Golf Foundation, there are a total of 15,703 golf courses, of which 4,746 are private clubs, 8,416 are privately owned courses open to the public, and 2,541 are government owned. In 1996, 850 courses were under construction or being expanded, including 115 municipal golf courses. At construction costs ranging from $3–$10-million per course, taxpayers are on the hook for a considerable sum—at least $345 million—for courses under construction.

In the end, there is no justification whatsoever for government involvement in the golf business. Even if one subscribes to the idea of "market failure," certainly none of the criteria

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for such failure—i.e., monopoly, public goods, external costs, or inadequate information—exist in the case of golf courses. The only reasons for the existence of government golf courses are patronage (another opportunity for politicians to dole out jobs), special-interest pressures (some golfers want cheap golf, courtesy of the taxpayers), and government revenue (politicians believe they can make money with golf facilities).

In reality, affordable golf, played on well-maintained, high-quality golf courses, can be and is provided by the private sector. Note that 54 percent of all golf courses in this country are privately owned *and* open to the public.

Meanwhile, government golf courses usually are not as well kept as private facilities, and lose money just as often as they make money. In either financial instance, the private sector should prevail. If a municipal course makes money then why not shift it into the private sector of the economy? If it loses money, the private sector will either turn it to profitability or find a better use for the land and other resources.

In certain aspects, though, private golf courses operate at a disadvantage with government courses. Government facilities can artificially drive down the price of a round of golf, and also fall back on the taxpayers when losses are incurred.

As an answer to government golf woes, many argue that the operations of municipal golf courses should be contracted out to the private sector. While a step in the right direction—examples abound of private golf course management firms turning around government golf facilities—this is but a small step.

Full-scale privatization is the only answer to government golf courses. In an era when rhetoric about smaller government can be heard from many corners, continued government ownership and construction of golf courses is a sobering development. This is a simple issue: the private sector is more than capable of building, owning, and operating golf courses in an efficient manner.

Indeed, privatization of municipal golf courses is a win-win scenario. The resulting government revenues can be used to retire outstanding government debt (the privatization of all government golf facilities across the nation in theory could generate more than $10 billion—probably far more). The golf business would be invigorated by enhanced competition, and golfers would see real benefits in terms of higher quality for their golfing dollar. After all, in the private sector incentives exist to better serve the customer, while in government incentives promote big budgets and more employees.

Another reason exists to get government out of the golf business as quickly as possible, and it brings us back to the professional level. The United States Golf Association's (USGA) decision to bring the U.S. Open to a municipal course in 2002 should serve as a warning sign. As noted earlier, the PGA Tour for the most part plays on private-sector golf courses. If government continues building golf courses, it may not be too long before the professional golf tour starts demanding that governments finance new courses for their tour events, or even demand funding for the events themselves. In the case of Bethpage's Black Course, the USGA will be investing about $2 million of its own funds in course improvements and upgrades. How long before that equation is reversed, though (as in the case in other sports), and the USGA or PGA Tour start asking government for such "investments," under the threat of otherwise moving their golf tournaments elsewhere?

As a free-market golfer, I want to see golf course privatization occur for another reason. I get depressed hearing about the two greatest golfers of all time—two of my personal heroes—getting involved in government golf. Jack Nicklaus's golf course design firm, for example, is laying out four new courses in various Tennessee state parks, and Arnold Palmer's firm—Arnold Palmer Golf Management—is under contract to operate the Presidio Golf Course in California for the U.S. Department of the Interior.

Right now, the golf and government mix means extensive government involvement in the golf business, and the underutilization of golf metaphors by elected officials and economists. It's time to reverse this situation. What we need are more golf metaphors and fewer government golf courses. □

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THE FREEMAN
IDEAS ON LIBERTY

Henry Grady Weaver's Classic Vision of Freedom

by John M. Hood

In 1947, a slim volume written by a largely unknown General Motors corporate executive was issued by a small publishing house under the title of *The Mainspring of Human Progress*. The book, which began with an intriguing chapter entitled "Puzzling Questions of Vital Concern to 2,155,000,000 Individuals," led off with this curious paragraph:

> For 60 known centuries, this planet that we call Earth has been inhabited by human beings not much different from ourselves. Their desire to live has been just as strong as ours. They have had at least as much physical strength as the average person of today, and among them have been men and women of great intelligence. But down through the ages, most human beings have gone hungry, and many have always starved.[1]

The author, Henry Grady Weaver, served as director of customer research for GM. Blind in one eye, he nevertheless spent much of his life peering over data. He was a number-cruncher, not a philosopher or polemicist. His writing experience had consisted mainly of penning articles on psychological research. But *The Mainspring of Human Progress*, an amateur's paean to freedom and individual ingenuity, remains one of the finest discussions of the impact of business on society that has ever been written.

Weaver was writing to an American public that had just endured almost two decades of desperation, economic hardship, social upheaval, and war. There was a sense of euphoria after the surrender of Germany and Japan in 1945, a commonly held belief that the United States had managed to extricate itself from turmoil and disaster to unparalleled strength and influence around the world. At the same time, however, fears and doubts were beginning to surface about some of America's traditional institutions and principles. The apparent vitality of the Soviet Union, which had itself fought back from the brink of destruction to a glorious victory, was unsettling. The lingering economic controversies from the New Deal—about the role of the federal government in society and the ability of capitalism to provide jobs and opportunities for the common man—had been left unresolved during a half decade of world war. Indeed, the growth of the federal government during World War II and the unprecedented role it assumed of directing and managing the wartime economy was just being realized and debated.

Weaver was a practical man as well as a vigorous defender of American business. He understood that, in order to persuade his readers that the free enterprise system was worth preserving, he would have to eschew elaborate theory and focus instead on historic

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This essay is an expanded version of Mr. Hood's introduction to the third edition of The Mainspring of Human Progress *by Henry Grady Weaver, published in May 1997 by FEE.*

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fact and common sense. So, he began his book with a discussion of the condition shared by most human beings throughout most of human history—hunger. The ancient civilizations extolled by historians and philosophers, Weaver pointed out, consistently failed to keep their people fed. Egyptians and Greeks sometimes killed their babies because they couldn't feed them. The Roman Empire collapsed in famine. French peasants were dying of hunger when Thomas Jefferson bought Louisiana from Napoleon Bonaparte. As late as the 1840s, the Irish were starving to death from a potato famine. In Weaver's day, famines continued to plague significant portions of Asia and Africa. But by 1947, in the United States, there were only periodic, geographically limited episodes of hunger.[2] And after Weaver's time (he died in 1949), the "Green Revolution" of unparalleled agricultural productivity in the 1960s essentially eradicated hunger as a serious problem not only in the United States, but throughout much of the developed and developing world.[3]

Weaver was fascinated with the sudden, amazing productivity of agriculture, as well as with other pleasant surprises of modern life. "Why did men, women, and children eke out their meager existence for 6,000 years [of recorded history], toiling desperately from dawn to dark—barefoot, half-naked, unwashed, unshaved, uncombed, with lousy hair, mangy skins, and rotting teeth—then suddenly, in one place on Earth there is an abundance of such things as rayon underwear, nylon hose, shower baths, safety razors, ice cream sodas, lipsticks, and permanent waves?" he asked.[4]

Imagine what Weaver might think of American society today, where a family of modest means might have access to a cornucopia of foods and treats, dozens of television channels, access to thousands of movies, inexpensive clothes and cosmetics, a luxurious (by the standards of 1947) home with air conditioning, microwave ovens, digital stereo, a medicine chest full of life-saving or pain-alleviating drugs, several reliable automobiles, and a magical desktop machine capable of balancing a checkbook, drawing a picture, publishing a newspaper, playing a game, and sending a letter instantaneously to another city or even another country. Indeed, the average American now consumes about twice as many goods and services as families did in Weaver's day—and he thought his contemporaries enjoyed an extremely high and unprecedented standard of living! (We might well say the same today: Studies of household consumption show that *poor* families today live very much like *middle-income* families did in the 1950s in terms of housing and amenities.)[5]

A devout Southern Baptist husband and father of two, Weaver was no materialist. He would not (nor should anyone) interpret the mere possession of conveniences and luxuries as proof of social well-being. At the same time, however, Weaver lacked the elitist's disdain for the importance of material comfort. He carefully studied human nature, specifically consumer preferences, and understood the revolutionary impact of economic progress on the lives of the middle class and poor. Nor did Weaver have much patience for those who tried to interpret American progress in ethnic or racial terms. "That sounds fine in after-dinner oratory and goes over big at election time," the Georgia native wrote perceptively, "but the argument is difficult to support. Our own ancestors, including the Anglo-Saxons, have starved right along with everyone else."[6] Instead, Weaver argued, the mainspring of human progress was freedom itself. The United States, by allowing the most individual freedom to produce goods and services and sell them to consumers for profit, had unleashed the greatest degree of invention and ingenuity, resulting in social benefits for all.

In Weaver's time, this simple statement of the virtues of a capitalist economy, while increasingly rare in the ivory towers of American academia, was hardly incongruent with public sentiment. During the 1940s and 1950s, most Americans held business as an institution in high esteem (as well as, it should be noted, other institutions such as government, organized religion, and the press). The media, too, often viewed business and corporate leaders with at least equanimity, if not actual approval. Media analysts Robert Lichter, Linda Lichter, and Stanley Rothman point

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out that many television and motion-picture plots of the 1950s featured businessmen in positive, sometimes heroic roles. Wise, honest, and trustworthy fathers Jim Anderson of "Father Knows Best" and Ward Cleaver of "Leave It to Beaver" were an insurance salesman and an accountant, respectively. Nick Charles, "The Thin Man," was a publisher. Herbert Philbrick, the hero of the popular 1950s TV adventure series "I Led Three Lives," was a pipe-smoking advertising executive, a Communist Party worker, and an FBI counterspy. Bruce Wayne, a.k.a. Batman, was a wealthy industrialist. Even into the 1960s, television series continued to portray those in business as "good guys." Westerns were one surprising source of positive images about business: Remember that Ben Cartwright of "Bonanza" ran a sprawling ranching and mining empire on the family's 1,000-acre Ponderosa estate?[7]

In most cases, however, while these business characters were portrayed positively, they were rarely portrayed in the actual practice of doing business. The Beaver spent little time at his father's accounting firm. Bruce Wayne even donned a mask and fought crime at night so as to distinguish Batman from the CEO of Wayne Enterprises. There were some notable exceptions. The hit 1954 film *Sabrina*—in which brothers played by Humphrey Bogart and William Holden vied for the affections of Audrey Hepburn—has several memorable scenes with both major and minor characters bouncing up and down on a new plastic, to be manufactured out of sugar cane and sold by the brothers' family firm. Holden, a hedonist with little interest in business, asks his workaholic brother why he was spending so much time dabbling with plastic rather than having fun. "What will that prove?" he demands, pointing to the strip of plastic. Bogart replies:

> Prove? Nothing much. A new product has been found, something of use to the world. So a new industry moves into an underdeveloped area . . . People who never saw a dime before suddenly have a dollar, and barefoot kids wear shoes and have their teeth fixed and their faces washed. What's wrong with the kind of an urge that gives people hospitals, libraries, baseball diamonds, and movies on a Saturday night?[8]

Needless to say, if Weaver had lived long enough to see *Sabrina*, he would have rooted for Bogart's crusty but insightful businessman over Holden's irresponsible playboy. Nor would he have been alone. Movie audiences were *supposed* to root for Bogart, who gets the girl in the end (while Holden learns responsibility and prepares to shoulder his weight in the family business).

The Backlash Against Business

But even in the comparatively conservative 1950s, there was a significant undercurrent of skepticism and revisionist thinking about the role of business in society. These ideas flowed through universities, and bubbled up through the legal system in a series of court decisions that redefined the purpose and responsibilities of the American corporation. Social movements, responding to problems such as racial injustice and environmental degradation, began to view business as a corrupt, amoral institution in which a few greedy individuals profited at the expense of the broader community. By the 1960s and 1970s, the undercurrent of revisionism about business became a raging river of criticism, protest, incriminations, and hostility.

The mass media both reflected and influenced these public perceptions. Investigative journalism became a heroic, even romantic, calling, with the name of the game being to "catch greedy corporations in the act" of polluting the water, selling shoddy and overpriced products, exploiting workers and families, and sacrificing the public's health, safety, and welfare to make a quick buck. On television and in the movies, business executives increasingly became the villains, to be challenged by heroic lawyers, policemen, reporters, and activists. In a study of the 100 top-grossing films selected from *Variety* listings, researchers found that nearly nine out of ten business characters were portrayed positively before 1965, but two out of three were portrayed negatively thereafter. After 1975, the proportion of negative business characters rose to three out of four.[9] Such films as *The China Syndrome*, *Norma Rae*, *Silkwood*, and *Wall Street* might serve as examples of this

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trend, in which antisocial or even criminal corporate behavior could be challenged only by the heroic actions of crusading lawyers and journalists or brave whistleblowers. Lichter, Lichter, and Rothman found the same pattern for television characters. While small business owners were treated about the same over the decades, the percentage of big business characters portrayed as villains rose from 31 percent before 1965 to 58 percent afterward. The authors compared, for example, the positive portrayals of the Cartwright family in "Bonanza" to the largely corrupt and immoral Ewing family of "Dallas."[10]

Public sentiment, influenced by social activism and media images, also began to change toward business. In 1965, almost 60 percent of Americans believed that businesses made a "reasonable profit," vs. 24 percent who thought businesses made too much. By 1975, the trend lines had reversed—more Americans calling profits excessive rather than reasonable.[11] Even in 1939, as the economic stagnation of the Great Depression lingered, 56 percent of Americans said that the interests of employers and employees were "basically the same," while only 25 percent said they were opposed. But by 1994, more Americans thought the interests of the two groups clashed than thought they coincided.[12] Much of the change has occurred in public perception of big business; in one 1992 poll, 64 percent of Americans rated the moral and ethical standards of small business owners as excellent or good, while only 31 percent said the same about "business executives."[13]

It was during this same period of social upheaval and changing media images about business that a movement began among business scholars, journalists, issue-oriented activist groups, and some corporate executives to shift the goals and principles of American business away from a focus on profits and return to shareholders and toward serving the interests of a broader constituency of so-called "stakeholders"—workers, customers, neighbors, and society at large.[14] Variously called "corporate social responsibility" or "socially responsible business," the modern movement is dated by many of its adherents to 1953, with the publication of *Social Responsibilities of the Businessman* by Howard Bowen. In 1963, a textbook for colleges and universities by business professor Joseph McGuire appeared, entitled *Business and Society*, and by the 1970s the field was a full-fledged academic discipline, which could boast programs in major business schools and dozens of major books.[15]

Of course, corporate social responsibility as an American movement in the latter half of the twentieth century is only a modern manifestation of an older, even ancient, debate among philosophers and theologians in many lands and cultures about the morality of commerce itself. Is economic competition the enemy of compassion and community? Is commercial activity a necessary evil or a desirable good? To whom do traders and merchants owe their loyalty? Do capitalists exploit their workers and the poor? Is it moral to sell basic human necessities at a profit? The greatest thinkers of human history have wrestled with these questions. Aristotle wrote about trading and business profits in his *Nicomachean Ethics* and *Politics*. Major portions of Old Testament books such as Deuteronomy contain rules for ethical business practice. Adam Smith's *The Wealth of Nations* is usually thought of as a treatise on economics, but it also discusses in depth the social context and impact of commercial activity. Smith was, after all, a theologian and ethicist, not a businessman or economist. Karl Marx was no economist, either, and had never set foot in a factory, but his critical analysis of business behavior changed the course of history.

In the United States of the late nineteenth century, the issue sharpened as defenders and critics of the so-called "robber barons" clashed over the role of profit, exploitation, and immoral business practices in the development of the West, the growth of industry, and the accumulation of vast fortunes. Over the next century, the debate about such controversial businessmen as Cornelius Vanderbilt, Leland Stanford, Jay Gould, J.J. Hill, J.P. Morgan, and John D. Rockefeller continued to rage. Were these men exemplars of the evils of unfettered, greedy capitalism? Were they, instead, great innovators whose impact on society justified their wealth?

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This debate continues today in academia and among political elites. But the argument for the moral and social value of business needs to be carried further to average Americans. One Roper organization poll in 1991 asked respondents to rank the responsibilities of business. At the top of the list were both tasks Americans believed corporations were doing well (such as "producing good quality products and services" and "protecting the health and safety of workers") as well as tasks Americans believed corporations were doing poorly (such as cleaning up pollution). Lower on the list of perceived business responsibilities were "developing new products and services" and "keeping profits at reasonable levels." Neither omission is surprising. The innovation and invention inherent in business, and so crucial to social progress, rarely gets much press or public attention. And on the latter point, Americans have for many years exaggerated the size of corporate profits, telling pollsters that they believe the average profit of U.S. firms is 34 percent when in reality it is only about 4 percent.[16]

Whether business can and will be viewed as a positive force for good in our society is a matter of great importance if free enterprise is to survive and thrive. Henry Grady Weaver, in the heady and unsettling days after World War II, understood this well. Writing about great American entrepreneurs such as Eli Whitney (the father not only of the cotton gin, but of much of mass production itself), John Deere, Thomas Edison, and Henry Ford, Weaver pointed out that their contributions to American society were far in excess of that of many political or military leaders better known to the public. Indeed, even early American political heroes such as Benjamin Franklin, Thomas Jefferson, and Thomas Paine were important inventors and entrepreneurs in their own right.[17]

Americans were and are an inventive people, Weaver wrote, because of the very system of free economic competition based on profit and reward. "No matter how much money John Deere may have made, it would be insignificant in comparison with the tremendous overall benefits shared by millions of people" from his innovative steel plow that made prairie agriculture, and thus westward expansion, viable, he observed. "It's just possible that good old John Deere wouldn't have bothered his head about the plowing problem if he hadn't been living in a free country, where an ambitious blacksmith had a chance to become a prosperous manufacturer."[18]

In reality, the business world is populated more by heroes like John Deere than by the villains who make the morning newspapers, are vilified on the evening newsmagazines, or who act out Hollywood's unrealistic and silly fantasies about American society. Weaver's classic work showed how the real story of American business can and should be told. □

1. The Foundation for Economic Education, 1984 (13th printing), p. 11.
2. *Ibid.*, pp. 11-12.
3. See Nicholas Eberstadt, "Population, Food, and Income: Global Trends in the Twentieth Century," in Ronald Bailey, editor, *The True State of the Planet* (New York: The Free Press, 1995), pp. 7-48.
4. *Ibid.*, p. 12.
5. Karl Zinsmeister, "Payday Mayday," *The American Enterprise*, September/October 1995, p. 48.
6. *Ibid.*, p. 15.
7. S. Robert Lichter, Linda S. Lichter, and Stanley Rotham, *Video Villains: The TV Businessman 1955-1986* (Washington, D.C.: Center for Media and Public Affairs, 1987), pp. 17-21.
8. Lichter, Lichter, and Daniel Amundson, "Does Hollywood Hate Business or Money?" Center for Media and Public Affairs, 1994, p. 27.
9. *Ibid.*, p. 26.
10. *Ibid.*, p. 28.
11. Karlyn H. Bowman and Everett Carll Ladd, editors, "Public Opinion and Demographic Report," *The American Enterprise*, November/December 1993, pp. 86-88.
12. Bowman and Ladd, "Opinion Pulse," *The American Enterprise*, January/February 1995, p. 106.
13. Bowman and Ladd, 1993, p. 86.
14. Edwin M. Epstein, "The Corporate Social Policy Process: Beyond Business Ethics, Corporate Social Responsibility, and Corporate Social Responsiveness," *California Management Review*, Vol. 29, No. 3, Spring 1987, p. 101.
15. Donna J. Wood and Philip L. Cochran, "Business and Society in Transition," *Business and Society*, Spring 1992, p. 1.
16. Bowman and Ladd, 1993, pp. 84, 88.
17. Franklin invented a stove, the rocking chair, bifocal spectacles, and experimented with electricity. Jefferson's innovations ran the gamut from botany and agricultural technique to engineering, architecture, and law. Paine drew up the plans and supervised the construction of the first single-span iron bridge with crisscross struts. Weaver, p. 234.
18. *Ibid.*

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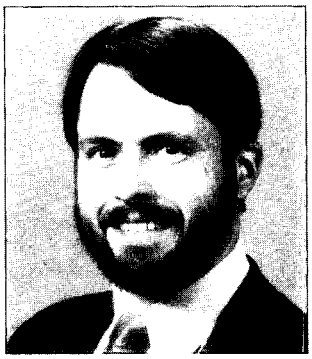

Is Voluntarism Enough?

As the Age of Politics (historian Paul Johnson's label for the twentieth century) winds down, even liberals are championing civil society. Herds of politicians now say that families and communities, not governments, hold the answer to America's social problems. At the very least, they advocate private-public "partnerships," rather than grand new government social programs.

To promote such service the Summit for America's Future convened in April. Representatives from volunteer organizations, businesses, and churches, along with local governments and Indian tribes, gathered in Philadelphia to, in the words of the sponsors, mobilize "millions of citizens and thousands of organizations from all sectors of society in order to ensure that every young American has access to resources considered essential for achieving healthy, fulfilling and productive lives." In response companies promised money, services, and products to nonprofit enterprises.

Enlisting civil society to help mentor and tutor at-risk youth, improve health care, support families, assist elder-care and more is obviously a good thing. As long as it is truly voluntary. The distinction is important, since the government has a way of making involuntary the supposedly voluntary.

For instance, the state of Maryland and a number of local school districts require students to "volunteer" in order to receive a diploma from high school. Some Summit attendees, led by the President, supported this attempt to make compassion compulsory, the worst sort of oxymoron imaginable. It makes a mockery of the Summit's very premise.

Similarly, proposals abound to use the tax law to bludgeon business into doing what government considers to be "responsible" behavior. Some advocates of this approach would add voluntarism to their indicia of corporate responsibility. But "philanthropy" motivated by such threats would be extortion, not voluntarism.

Even truly voluntary contributions are viewed by many firms more as a tool of public relations than an exercise of moral responsibility. However, that doesn't diminish the good that can be done by business. Companies have an enormous capacity to aid those around them.

Nevertheless, encouraging firms to voluntarily drop a few dollars on the less fortunate should not blind us to the most important issue. Government stands in the way of helping the needy at almost every turn.

Business performs its most important service to the poor by doing what it is constituted to do: employ people and provide goods and services. To the extent that it does so successfully, it will reduce the incidence of poverty and alleviate attendant social problems. Moreover, as business succeeds, it generates wealth for others—workers in related industries, pensioners, and more.

Not that politicians ever understand. Ob-

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serves T.J. Rodgers, president and CEO of Cypress Semiconductor, over the last two decades "government meddling [has] metastasized to the point that business can no longer provide workers with ever-higher wages." No one gains when the state grows in this way. Notes Rodgers, "subordinating shareholder value to 'social responsibility' invariably cheats both shareholders and society at large."

Government meddling most hurts those low-cost, labor-intensive enterprises which provide employment and services to poor communities. The minimum wage puts unskilled employees out of work. Local public transportation monopolies forbid inexpensive jitneys that enable lower-income people to find and hold jobs. Burdensome zoning requirements and building codes, special-interest licensing laws, and other regulations impede the development of small businesses that are critical for lifting people out of poverty through work.

Thus, political leaders concerned about the disadvantaged should eliminate barriers to business doing what it does best. This isn't enough, however. In many cases government is to blame for the problems in the first place. Before exhorting others to help, public officials should get their own policies right.

Consider education. Illiteracy is rife among inner-city kids, so volunteers are now supposed to teach students to read. But how about dealing with a public educational system that is turning out illiterates? The answer here is really not voluntarism, but privatization: parents should be able to choose among competitive educational alternatives, ensuring that their kids end up able not only to read, but to learn the values necessary to become responsible citizens in a free republic. Yet the politicians who speak loudest about helping the poor most strongly resist even any change in the public school monopoly.

People devoted to the poor also need to help shift the perception that responsibility for solving social problems lies with the state, and eliminate the barriers now created by government to individual, family, and community initiative. For most of America's early history, people recognized that they had a moral (and religious) duty to care for those in need. As Marvin Olasky, author of *The Tragedy of American Compassion,* points out, compassion meant "to suffer with." To fulfill one's responsibilities as a citizen and a human being required involvement in the lives of others.

Since then, however, people have taken compassion to mean, first, writing a check, and more recently, making other people write checks. Indeed, in response to President Clinton's call on every church to employ one person now on welfare, the Reverend Albert Pennybacker of the National Council of Churches argued that "Our job is not to compensate for the failure of government to do its job."

But the Reverend Pennybacker has it all wrong. The Biblical model is clear: the able-bodied are to work and support themselves and their families; churches are to nurture, aid, and empower their members; finally, people of faith are to "do good to all people" (Gal. 6:10). The fundamental Christian duty is responsibility for themselves and charity to others. To the extent government has a role, it is as the ultimate safety net to catch those falling through multiple private ones. Political society should act only when civil society fails to do so.

Many people still do serve: nearly half of the adult population volunteers, spending an average of 4.2 hours a week in service activities. But the Reverend Pennybackers of the world have been willing to slough significant responsibility off on government, which, as the most imperialistic of institutions, has avidly filled the void. Thus, politicians serious about restoring civil society must say "no more." Public officials would do more for voluntarism by emphasizing the primacy of private assistance and the moral responsibility of every human being for his or her needy neighbors than attending summits.

Equally important, policymakers should reform government policies that discourage voluntarism and impede community development. Mother Teresa's religious order dropped a planned AIDS facility because New York City insisted that the building include a costly and unnecessary elevator. Labeling requirements in Los Angeles prevent restaurants from giving food away to the

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homeless. The federal government threatened to put Salvation Army rehabilitation centers out of business when it proposed applying the minimum wage law to participants.

Well-publicized volunteer programs are a staple of politics. A succession of presidents have undertaken one or more such initiatives. But, like the much ballyhooed "Hands Across America" more than a decade ago, none has had much impact.

Today's Summit participants must reach deeper issues to ensure that the latest effort doesn't go the same way. Rewarding the successful who throw alms to the poor is fine. But better would be lowering the barriers to success, helping those in need to help themselves. Public officials need to answer for the failings of their own policies. For civil society to do more, political society must do less. □

"From Small Beginnings": The Road to Genocide

by James A. Maccaro

Dr. Leo Alexander, a prominent American psychiatrist, was the chief U.S. medical consultant at the Nuremberg War Crimes Trials that judged Nazi leaders following World War II. One question in particular perplexed him: Why was the German medical profession unable to effectively resist the Nazis?

As he searched in German archives, Dr. Alexander was puzzled by the lack of documentation of resistance by doctors. He assumed that German physicians, as scientists devoted to relieving human suffering, were appalled by the Nazis. He knew of the high regard the German public had for doctors, who were typically among the leading citizens of their communities, and expected to find many examples of doctors who used their prestige to resist the Nazis. Yet he found no such evidence. In shocking contrast, Dr. Alexander discovered that the German medical profession fully cooperated with the Nazis and, indeed, was responsible for some of the most disturbing outrages of the Nazi regime.

Dr. Alexander was forced by the facts to change the focus of his research to an examination of the process by which the German medical profession came under the total domination of Hitler's government. He set forth his findings in the July 14, 1949, issue of *The New England Journal of Medicine*. In this remarkable study, "Medical Science Under Dictatorship," Dr. Alexander described how the German medical profession, in the words of Malcolm Muggeridge, "sleepwalked to the collectivist-authoritarian way of life."

Dr. Alexander discovered that the Nazi Holocaust began with "a subtle shift . . . in

Mr. Maccaro practices law on Long Island, New York. "Medical Science Under Dictatorship" has been reprinted as a 32-page pamphlet which can be obtained for $2.00 (which includes postage and handling) from Bibliographic Press, P.O. Box 5433, Flushing, NY 11354.

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attitude" that accepted a philosophy of government that judged people based upon their perceived costs and benefits to the state. The first manifestation of this was the open discussion during the time of the Weimar republic, prior to Hitler's takeover of Germany, of government schemes for the sterilization and euthanasia of people with severe psychiatric illnesses. By 1936, medical extermination was widely and openly practiced, and the category of those deemed to be a burden to the state and therefore socially unfit to live had expanded to encompass all people with chronic illness.

On September 1, 1939, euthanasia was officially recognized as state policy and two government agencies were established to carry out the killings in an efficient manner. They were cynically named the "Reich's Work Committee of Institutions for Cure and Care," which dealt with adults, and the "Reich's Committee for Scientific Approach to Severe Illness Due to Heredity and Constitution," for children. Separate organizations were created to transport patients to killing centers and to collect the cost of the killing from the next of kin, who were told that the victim had died of natural causes.

Doctors were required to report on all patients who had been sick for five years or more or who were medically unable to work and unlikely to recover. The decision about whether someone should be put to death was generally made by psychiatrists who taught at leading universities. These "consultants" never examined or even saw the patient and based their decisions on brief questionnaires, which contained information about race, ethnic origin, marital status, next of kin, financial resources, and whether and by whom the patient was visited.

What began as a slow acceptance of "mercy killings" in rare cases of extreme mental illness soon expanded to mass extermination on an unprecedented scale. Among those killed were people with epilepsy, infantile paralysis, Parkinson's disease, depression, multiple sclerosis, and various infirmities of old age. In short, all people who were unable to work and not considered rehabilitable were killed.[1] One physician later admitted:

> [The victims] were selected from the various wards of the institutions according to an excessively simple and quick method. Most institutions did not have enough physicians, and what physicians there were were either too busy or did not care, and they delegated the selection to the nurses and attendants. Whoever looked sick or was otherwise a problem was put on a list and was transported to the killing center. The worst thing about this business was it produced a certain brutalization of the nursing personnel. They got to simply picking out those whom they did not like, and the doctors had so many patients that they did not even know them, and put their names on the list.[2]

It is estimated that 275,000 Germans were exterminated in the killing centers; this provided extensive opportunities to perfect the methods that were later used in the concentration camps.

The next step taken by the German medical profession was the accumulation and use of human material obtained from the exterminated for medical research. For instance, one physician obtained 500 brains for use in his neurological research. This was soon followed by the use of live people for "terminal human experiments," a practice that was openly accepted by the German medical profession.[3]

"A Life Not Worthy to Be Lived"

Dr. Alexander demonstrated in *Medical Science Under Dictatorship* that by the early 1940s, the German medical profession had become fully implicated with the Nazi regime and its death camps. Moreover, he outlined how this monstrous outcome originated "from small beginnings." It started with acceptance of the "progressive" and "rational" idea that some people had "a life not worthy to be lived" and were a burden to society and to the state. Once this idea was acted upon, and physicians became accustomed to it, the extermination system expanded to include all people considered for any reason to be a financial burden to the state, followed by all those considered to be disloyal or a threat to the government and, ultimately, anyone considered undesirable by the government. Once the first German mental patient was put to death, a chain of events was begun that only

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ended with destruction on a nearly unfathomable scale, including the murder of the majority of European Jews.

Dr. Alexander contrasted the actions of the German medical profession with those of doctors in the Netherlands under German occupation, who refused to take the first small step to genocide.

In December 1944, an order was issued by the Nazi authorities to all Dutch physicians: "It is the duty of the doctor, through advice and effort, conscientiously and to his best ability, to assist as helper the person entrusted to his care in the maintenance, improvement and re-establishment of his vitality, physical efficiency and health. The accomplishment of this duty is a public task."[4]

This statement might appear on first reading to be unobjectionable and innocuous. However, the Dutch medical profession, which was aware of the extermination system in place on the other side of the Dutch-German border, recognized that this order would serve as a basis for the promulgation of a new standard of care that would place first priority upon the return of patients to productivity for the state, rather than the relief of suffering. Physicians would consequently be subordinated to the state and its interest to maximize "utility."

Dutch physicians unanimously refused to comply. When the Nazis threatened to revoke uncooperating doctors' licenses to practice, all doctors returned their licenses and closed their offices, but continued to see patients in private. The Nazis then arrested 100 Dutch doctors and sent them to concentration camps, but the medical profession refused to back down. The result was that no Dutch doctor participated in a killing and the Nazi plans for medical exterminations in the Netherlands were not carried out.

Dr. Alexander concluded:

> It is obvious that if the medical profession of a small nation under the conqueror's heel could resist so effectively, the German medical profession could likewise have resisted had they not taken the fatal first step. It is the first seemingly innocent step away from principle that frequently decides a life of crime. Corrosion begins in microscopic proportions.[5] □

1. Leo Alexander, *Medical Science Under Dictatorship* (Flushing, N.Y.: Bibliographic Press, 1996), p. 9.
2. *Ibid.*, p. 10.
3. *Ibid.*, pp. 17–21.
4. *Ibid.*, p. 24.
5. *Ibid.*, p. 25.

HAD ENOUGH?

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Government: An Ideal Concept— Leonard Read's Formula for Freedom

by Esler G. Heller

The reviewer begs the reader's indulgence for combining a book review with an appreciation of the author. Yes, Leonard Read is my guide and inspiration, and I was thrilled to learn of the republication of *Government: An Ideal Concept* (FEE, 1997, $12.95 paperback). This book is to me much like the fruits of scripture.

In 1982, I wrote to Read asking if he still believed what he had written in 1954. His reply: "Just the other day I re-read *Government: An Ideal Concept*. Today I wouldn't change a word of it. All of my books have been consistent with this book you like."

I have read all of Leonard Read's books; they *are* consistent. Read is constant in character and consistent in thought. Given his premises, his "freedom philosophy," as he called it (to disassociate himself from the anarchists who had appropriated his earlier use of "libertarian"), is consistent and corroborated by history. Read has grasped and described a natural law.

In *Government: An Ideal Concept,* he limits himself to basics and a few clear examples. Other issues and secondary points he leaves for other books, other writers. The argument of this work is logical, consistent, and neither circular nor abstruse.

Read is never a polemicist but warns against provoking antagonism with unnecessary personal attacks and criticisms of error, when what is needed is self-improvement and demonstration of truth. Although he says *Government: An Ideal Concept* is an essay in clarifying his own thinking, he writes with the authority and serenity of someone already possessed of a truth.

Not at the Constitutional Convention of 1787 nor when Read wrote *Government: An Ideal Concept,* says Read, was there "any well-defined . . . principled, spelled-out ideal theory of government or liberty." The founders attempted to limit government, but "lacking was a well-defined theory or positive rationale as to *why* limitation."[1]

Read was familiar with political and philosophical ideas from earliest writings to the present. Yet he was convinced that extant theories of liberty and government were inadequate and that this lack would have to be supplied before American society could secure the "Blessings of Liberty" cited in the preamble of the U.S. Constitution.

Read's plan is to try to justify government, an effective but surprising strategy for one who sees that government, the immune sys-

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tem of society, designed to protect from internal and external dangers, has itself grown unhealthy, and, by proliferation, become an agent of social dysfunction. He seeks to understand the healthy state of government in society as the *ideal*—a key word in this book's title. Properly limited government, he asserts, because it is necessary, must be a positive good rather than a necessary evil.

Fundamental to Read's theory of limited government is his analysis of social versus individual problems, and the role of force and coercion in society. By definition, government is organized force. It monopolizes the legal use of force in those geographical, social, and economic areas under its jurisdiction. Read posits, "Man's purpose on earth is to come as near as possible in his lifetime to the attainment of those creative aptitudes peculiarly his own." He then explains why all of creative human emergence can only be a personal, voluntary undertaking. This leaves those "actions of man which impair the source of creative energy and stifle its exchange, and also the actions which are parasitic on the flowing energy" as the only *social* problem. To remove these "inhibitory actions," it is necessary to restrain aggressive force and/or penalize those persons who indulge in it. Read explains why force can *only restrain, never create*. Therefore, the only proper use of force is to restrain aggressive use of force and fraud.

Only the widest possible social base is adequate to bear the responsibility for the use of force.[2] This means that the social authority for defense must be vested in a strictly limited government to be overseen, funded, and controlled by *all* society, a burdensome but unavoidable duty for citizens aspiring to freedom.

In earlier times, before the American Revolution, nearly all governments were tyrannical and most of their laws unjust. Even in the twentieth century, exemplary governments are rare. To be anti-government then was to be pro-freedom. Today, in spite of some discouraging problems, in many ways we are nearer to achieving liberty than ever before. It's a healthful exercise to count our blessings in this regard: increased understanding and skepticism of big government, government-run schools, and the welfare state. And we are lengthening and improving the quality of the later years of life, thus enlarging the pool of human experience and, hopefully, wisdom.

The Ideal Role of Government

As we suffer the consequences of past errors, we can see the need to make finer distinctions in ethics, politics, and economics.[3] In *Government: An Ideal Concept*, Read has defined the ideal role of government, the rule on which such distinctions are based. We still need improved, refined definitions of liberty, theories of government, and analyses of social problems, old and new. Yet libertarians are urged by anarchists to throw out the good with the bad.

This is the fallacy of philosophical anarchism. In *Government: An Ideal Concept*, Read shows why *limited-government* libertarianism is as radical as we can get in approaching liberty. Beyond it lies a resumption of the belief that might makes right. By showing the necessity of limited government, Read proves that no government and no taxes are no formula for liberty.

It has been wisely said that all important questions are ultimately religious. A primary axiom underlying a theory of liberty and limited government confirms the religious faith that God created man and woman in God's image, only a little lower than the angels. It is the rational, secular, empirical observation, elucidated by Mises, Hayek, and other classical-liberal thinkers that humankind, regardless of individual variations, shares a common human nature of reason and emotion making it possible to take an *optimistic* view of society. This optimism assumes that sinfulness is not so prevalent as to preclude our living in a higher degree of liberty than we have yet experienced.

The *pessimistic* view, that most of us are hopelessly depraved and must be driven and restrained to do the right thing by those stronger and wiser, implies an elitist theory of supermen and underclass, masters and slaves. Pending the moral regeneration of mankind, it leaves no hope in this world for peace or the

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flowering of human potential. Such pessimism is belied by history. As Read observes elsewhere, civilization exhibits periods of evolution and devolution, progress and regress. But over time and space, what most persons regard as progress has predominated.

Read's faith in the virtue of people, *voluntary* followers of uncommon women and men, is implicit in his insistence on personal responsibility, integrity, and devotion to freedom's ideals.

Leonard Read is a Christian believer. He acknowledges God, the Creator, Judge, Infinite Consciousness, and Supreme Intelligence. He characterizes Jesus as "the Perfect Exemplar." In an interview he stated that you don't have to believe in God to believe in freedom, but if no one believed in God there would be no freedom. In *Government: An Ideal Concept*, Read reveals the foundation and framework of the rest of his life's work. It is a systematic exploration of the social (as separate from the personal) aspects of human life. To my knowledge, it is the most if not the only systematic book he ever wrote, and a fine example of that beautiful American idiom unique to Leonard's voice and pen.

Read often acknowledges (not in these words) that he is a crow who followed many plows. His distillation and synthesis of others' ideas, combined with his own insights, are fruitful and offer us the gift of a harvest we could not gather on our own. We stand not in his shadow, but on his shoulders, facing the light.

Freedom or liberty (synonymous to Read) is defined in *Government: An Ideal Concept* as "... man not playing God, individually or collectively, through government or otherwise." Elsewhere in his writings he rephrases it as "No man-concocted obstacles to the release and exchange of creative human energy." He leaves no doubt as to the difference between creative and destructive or obstacle-placing energy. In these definitions and in the body of his writings he avoids contradictions, ambiguities, idiosyncrasies, and the dated context that limit the usefulness of earlier essays and definitions of Locke, Humboldt, J.S. Mill, Spencer, Henry George, and other classical liberals. A worthy companion and successor to these earlier libertarian visionaries, Read's work and vision are not burdened with distracting baggage. He is remarkably lucid, leaving little likelihood of confusion. We can use his writings for outreach without the need for explanations, cautions, apologies, and extensive interpretation.

Emergence

Read's vision captures the *only* way there can be liberty and justice in the world: mankind's purpose on earth—emergence.[4] Emergence depends on the free flow of creative human energy. Liberty is the free flow of creative human energy. The free market is the free flow of creative human energy. Therefore, the free market is liberty. Liberty, justice, equality before the law, and the free market are one. These different words have differing abstract definitions, but in reality identify the identical condition—liberty—seen from different perspectives.

Interestingly, *Government: An Ideal Concept* (1954) predates Hayek's *The Constitution of Liberty* (1960) with its memorable dictum: "But while the uses of liberty are many, liberty is one. Liberties appear only when liberty is lacking." Liberties are but the opportunity to exercise natural human rights. If liberties appear only when liberty is lacking, then rights appear only when *the human right*, the right to live in liberty, is shackled. Thus, "the human right" joins liberty, justice, equality before the law, and the free market as a synonym. There is a corollary: *The human right*, the right to live in liberty, must subsume, qualify, and test any other *proposed* human right, and as the free market is synonymous with liberty, so also must be *access* to the free market, for a market cannot be free when access is arbitrarily denied to individuals or groups.

Read does not explicitly speak to the unity of liberty, the human right, the free market, justice and equality before the law, but given his theory and arguments, it appears to be the inescapable conclusion. As Read would say, "That's what it is, and that's all it is."

Read perceived what many overlook or deny. "Not all mankind's deviltry originates in men themselves being devils." "[T]oo many people have, for the time being, *adapted* them-

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selves to governmental interventionism." "*Most* [reviewer's emphasis] of the troubles among men are set in motion by ill-advised institutions—that is by men faultily organizing themselves." He recognized that well-intentioned but foolish ideas, rather than evil schemes, lead to harmful and corrupting attitudes and institutions. Thus acceptance of wiser ideas could, by changing incentives and reducing temptation, initiate a reversal of this sequence. Behavior can improve while human nature more or less remains the same. In other words, a practicable approach to liberty need not wait on the moral regeneration of mankind.

The universal interdependence of human beings, never better expressed than by John Donne in the seventeenth century—"No man is an island"—is a fundamental and recurrent theme in Read's expositions.[5] He does not explicitly disclaim his theory of government and liberty as inappropriate for small groups or exceptional situations, but it is obvious that different rules must apply in families, the military, disaster scenes, and similar circumstances. It is for the large, mostly anonymous society, dependent on and coordinated by the free market in goods, services, and ideas that liberty and government, as he defines it, is necessary.

Taxation

Government being necessary, how is it to be funded and staffed? Is all taxation theft?[6]

Is conscription for national defense justified? Read's answer to the last question: "No ideal agency of society can conscript any of its members for any kind of employment." So much for conscription of military, of jurors, of bookkeepers, and of tax collectors. Read's *justification* of taxation to support limited government is a powerful argument which alone ought to motivate every libertarian to read his book. Read warns us, "One of the first, important and assuredly controversial points the foregoing theories will raise has to do with taxation." He rejects voluntary funding of limited government, not because it would be inadequate—he thought it would be oversubscribed—but because he saw it as an invitation to plutocracy. The democratic ideal of equality before the law would be subverted as those who paid the piper would surely call the tunes. But, he says, "the faults with voluntary financing of government are not the really valid reasons for favoring taxation, or for contending that taxation does not classify as aggression against the liberty of citizens."

"Every one of us exists by reason of a division of creative energy and its exchange." This is the free market, and ideal government is the just, organized agency for defense of the free market, employed by and responsible to the sovereign people, whose right to live in liberty it is government's duty to protect.

Taxes are an acknowledgment of the relative freedom and sovereignty of the people. They focus our attention on our governments—be they good or evil. In this sense, taxes are disciplining, if unwelcome. This *helps* to explain why taxes need to be compulsory, but the basis of Read's argument is still more fundamental: *fairness*. "[W]hile what we do with our creative potentialities is strictly a matter of personal decision, the fact that we ourselves are alive is due to the degree of perfection of the exchange equation which has preceded us.

"There are two sides to this coin. True, we inherit not only the benefits but also life itself, which division of labor and exchange confer. But by the same token, we inherit the obligation its maintenance and perfection demand. *In this single respect, we are as much members of the society which has been responsible for this as we are individual human beings.* [my emphasis] This membership in the societal organization that inhibits the social obstacles to creative energy and its exchange is one's own. That which is one's own isn't anyone else's. And it is not merely one's own for harvesting its blessings; it is one's own to support for precisely the same reason that it is everyone else's to support. One cannot deny his parentage by the simple expedient of saying: 'I don't want any parentage.' Nor can one deny his societal obligation by the simple expedient of saying: 'I choose not to have inherited any obligation.' The inherited obligation is a *fait accompli*. To support or not to support a limited organization of society, based on right principle, is logically exterior to

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the area of free choice, unless, of course, one chooses to absent himself."

Read pointed out: "Some opponents of any organization by society refer to government as 'slavery' and to taxation as 'robbery.' These epithets appear not to be correct. When society's agency goes beyond its authentic functions of defending all of society's members equally and without favor and is employed as an agency of plunder to 'help' some members at the expense of other members, then and only then can the action of the agency be called slavery. Likewise, plundering the honest fruits of one's labor for the 'benefit' of others classifies as robbery—legal perhaps but robbery nonetheless."

Based on the general will to live and the right to life and livelihood, Read proceeds to describe an *implied contract* between each individual and the rest of society to employ and pay limited defensive governments. This contract provides for the delegation of the personal right of self-defense to government because it "cannot properly [and in justice] be attended to as individual projects."

Read, of course, condemned the progressive income tax. He did not offer alternatives. This task he left for us. So, having rejected the twin fallacies of no taxes and oppressive and discriminatory taxes, we are now free to, and obligated to, seek and propose a better tax system. The public at large accepts Poor Richard's verdict on the inevitability of taxes, and has no patience with the anarchist delusion to the contrary. This confused area of libertarian thinking is, I believe, one of the remaining obstacles to its popular acceptance.

It may be argued that Read's theory of limited government, being categorical, is so idealistic as to be inapplicable to the incremental nature of practical affairs. We need the theory for a compass, the vision for a map. The exploring party must still search to find its way. Mindful that human affairs cannot be mathematically exact, the categorical may be modified into a very strong but rebuttable presumption in its favor (against government intervention in creative actions), leaving statists with a heavy burden of proof.

Read eschews discussion of strategy beyond pointing out that ours is not a numbers nor a propaganda problem. We do not have to sway multitudes. First, we have to get our own ideas right. This is a personal problem. Reflect on the waste of bloodshed and treasure and human suffering caused by trying to popularize or impose faulty systems. We must first bring our product to the point where it can withstand the most severe scrutiny. In *Government: An Ideal Concept*, Read deals with the *role* of government, not its structure. Apparently he is reasonably satisfied with the U.S. Constitution, condemning only black slavery, tariffs, the "elastic clause," and the income tax amendment.

Now, on the eve of the next millennium, it is appropriate to ask, "What is the Holy Grail, the end and purpose of political science, political philosophy, political economy?" Is it not to discover and explain the ideal, the principles of the political and economic structure most helpful to the further flowering of imperfect but improvable man and woman? Liberty, as Read describes it, is the embodiment of those principles. His vision is that ideal.

The correctness of this vision is demonstrated again and again. As true liberty has been approached, the lot of humanity, across its fullest spectrum, has improved, its age-old miseries ameliorated. To enjoy the "blessings of liberty" is not a vague or idle phrase, but man's noblest earthly ambition.

Read's brief *Government: An Ideal Concept* may well be a milestone in political thought. By virtue of giving us this readily accessible, most highly advanced definition of liberty and ideal theory of limited government, Leonard Read is, despite lack of formal scholarship and academic credentials, the pre-eminent political philosopher of his time. Add to this his founding and staffing of the Foundation for Economic Education, recruitment of its trustees, 37 years as its president, staffing and publication of *The Freeman*, rediscovery of Bastiat, support of Mises, cooperation with Henry Hazlitt, authorship of thirty-odd books and extensive worldwide travel, everywhere planting fertile seeds of liberty to supplant the choking weeds of servitude. Who in his time did more than Leonard Read to advance the

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cause of liberty without ever impeding its progress?[7]

Readers of this article should not imagine that here is abstracted all of Read's wisdom. This is only an overview, a few comments and (I hope) a little logic. This is the book that every libertarian should keep at hand as both a guide and a challenge. It deserves careful and repeated study.

To see an impending disaster and not warn others is immoral. To receive knowledge and insight and not share it is to be unworthy of the gift and disqualified for further blessings. These are Leonard Read's principles. To spurn offerings of insight is a parallel fault. "Unto whomsoever much is given, of him much is required." In *Government: An Ideal Concept*, that vision is our challenge and duty. □

1. Except for *Government: An Ideal Concept*, I don't know where to find such a definition and theory today. Overwhelming might, whether right or wrong, always prevails. Our ideal is that right and might coincide. Who pays the piper calls the tune. Plural, private defense forces are divisive, a formula for plutocracy, goon squads, corruption, and conflict—a house divided against itself. Only a consensus on the proper use of force can lead to peace. To approach a consensus, the use of force in society must be limited to defense of life, liberty, and property—that is, the free market, the fountain from which we all drink. Limited government must have a society-wide, tax-supported base.

2. See Isabel Paterson, *The God of the Machine* (New York: G.P. Putnam, 1943).

3. Among the fine but vital distinctions:
   a.) The difference in nature, not degree, between the necessary exercise of force and all other social transactions.
   b.) The difference between self-defense and aggression.
   c.) The difference between collecting a just debt and theft.
   d.) The difference between just and unjust, efficient and inefficient taxation.
   e.) The difference between private and personal matters and the public economic arena.
   f.) The difference between children and adults.
   g.) The difference between absolute and conditional rights.
   h.) The politically intimidating effect of many laws.

4. See Wilhelm von Humboldt, *The Limits of State Action*, edited by J. W. Burrow (Indianapolis, Ind.: Liberty Fund, 1969).

5. *The Limits of State Action* contains numerous parallels in an eighteenth-century context.

6. It is a measure of the difficulty and seriousness of these questions that in 1984 the libertarian writer, the late Roy A. Childs, in a conversation confessed to me that he had never been able to resolve the funding question to his own satisfaction.

7. From the time of his conversion from a supporter of FDR's New Deal in the early 1930s to a libertarian. This occurred in perhaps an hour-long discussion with W. C. Mullendore, head of Southern California Edison. Who could have foreseen the consequences of that pivotal conversation?

Say Not the Struggle Naught Availeth

Say not the struggle naught availeth,
The labor and the wounds are vain,
The enemy faints not, nor faileth,
And as things have been they remain.

If hopes were dupes, fears may be liars;
It may be, in yon smoke conceal'd,
Your comrades chase e'en now the fliers,
And, but for you, possess the field.

For while the tired waves, vainly breaking,
Seem here no painful inch to gain,
Far back, through creeks and inlets making,
Comes silent, flooding in, the main.

And not by eastern windows only,
When daylight comes, comes in the light;
In front the sun climbs slow, how slowly,
But westward, look, the land is bright!

—Arthur Hugh Clough (1819-1861)

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THE FREEMAN
IDEAS ON LIBERTY

Why Managed Trade Is Not Free Trade

by Robert Batemarco

The British historian Thomas Babington Macaulay observed that free trade, one of the greatest blessings which a government can bestow, "is in almost every country unpopular."[1] Indeed, sound economics often makes for unsuccessful politics. That free trade is a great benefactor is one of the most convincingly established truths of economic science.[2] The economic case for free trade is essentially the case for voluntary exchange in general: no one freely enters into an exchange, whether as buyer or seller, unless he expects to emerge better off as a result of that exchange. Furthermore, the ability to exchange a single product one has produced for the many things one would like to consume makes possible the division of labor and the manifold expansion of production capacity that it permits. There is no economic reason why these gains do not apply equally to potential traders on different sides of national boundaries.

The political liabilities associated with free trade stem from the vigorous competition it promotes. Competitors who do not provide the best deal for consumers fail. Far from sugarcoating this unwelcome fact, free trade demonstrates it in no uncertain terms. Rather than looking to improve their own shortcomings, many of the losers in the competitive process seek to derail the process. They seek to ensure that they provide customers the best deal *not* by improving the package they provide, but by getting the government to hamper the ability of their competitors to provide a better deal. Foreign competitors make an especially easy target for such government restrictions.

Thus, government restrictions on international trade are of a piece with domestic restrictions on competition. They share the same goal: to redistribute income from the many to government's chosen few and to substitute its own preferred allocation of resources for that of the market. Indeed, by restricting trade with foreigners, governments close off an important means of mitigating the impact of their domestic restrictions. This is what John T. Flynn had in mind when he said, "The first condition of a planned economy is that it be a closed economy."[3]

Free Trade: The Real Thing

In establishing a free economic system for the United States, the Framers mandated free trade among all the states in the union. They spelled this out in Article I, Section 9, of the Constitution:

> No tax or duty shall be laid on articles exported from any state. No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another: nor shall vessels bound to, or from, one State, be obliged to enter, clear, or pay duties in another.

At 54 words, this was the original North American Free Trade Agreement. As we shall see, the 1994 agreement that goes by that name makes a travesty of free trade.

The damage done by restrictions on international trade became clear to most people during the debacle of the 1930s. Once World War II had ended, the popularity of free trade surpassed Macaulay's fondest hopes. Yet in many ways truly free trade was not in keeping with the tenor of the postwar times. Free trade requires neither complex laws nor ponderous bureaucracies. With the establishment of the United Nations, the World Bank, and the International Monetary Fund, the world was moving in the opposite direction. So postwar governments sought managed trade rather

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Coercivists and Voluntarists

Categorizing a political position according to some simple left-right scale of values leaves something to be desired. Political views cover such a wide variety of issues that it is impossible to describe adequately any one person merely by identifying where he sits on a lone horizontal line.

Use of the single left-right scale makes impossible a satisfactory description of libertarian (and classical-liberal) attitudes toward government. Libertarians oppose not only government direction of economic affairs, but also government meddling in the personal lives of peaceful people. Does this opposition make libertarians "rightists" (because they promote free enterprise) or "leftists" (because they oppose government meddling in people's private affairs)? As a communications tool, the left-right distinction suffers acute anemia.

Nevertheless, despite widespread dissatisfaction with the familiar left-right—or "liberal-conservative"—lingo, such use continues. One reason for its durability is convenience. Never mind that all-important nuances are ignored when describing someone as being, say, "to the right of Richard Nixon" or "to the left of Lyndon Johnson." The description takes only seconds and doesn't tax the attention of nightly news audiences.

Therefore, no practical good is done by lamenting the mass media's insistence on using a one-dimensional tool for describing political views. A better strategy for helping to improve political discussion is to devise a set of more descriptive terms.

There is much to be said for a suggestion offered by Professor Richard Gamble, who teaches history at Palm Beach Atlantic University. Richard proposes that instead of describing someone as either "left" or "right," or "liberal" or "conservative," we describe him as being either a *centralist* or a *decentralist*. This "centralist-decentralist" language would be a vast improvement over the muddled "left-right" language.

Unfortunately, "centralist-decentralist" language contains its own potential confusion—namely, "decentralist" might be taken to mean someone who is indifferent to what Clint Bolick calls "grassroots tyranny." Is there an even better set of labels for a one-dimensional political spectrum? I think so: "coercivist-voluntarist."

At one end of this spectrum are coercivists. Coercivists believe that all order in society must be consciously designed and implemented by a sovereign government power. Coercivists cannot fathom how individuals without mandates from above can ever pattern their actions in a way that is not only orderly, but also peaceful and productive. For the coercivist, direction by sovereign government is as necessary for the creation of social order as the meticulous craftsmanship of a watchmaker is necessary for the creation of a watch.

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At the other end of the spectrum are voluntarists. Voluntarists understand two important facts about society that coercivists miss. First, voluntarists understand that social order is inevitable without coercive direction from the state *as long as* the basic rules of private property and voluntary contracting are respected. This inevitability of social order when such rules are observed is the great lesson taught by Adam Smith, Ludwig von Mises, F.A. Hayek, and all of the truly great economists through the ages.

Second, voluntarists understand that coercive social engineering by government—far from promoting social harmony—is fated to *ruin* existing social order. Voluntarists grasp the truth that genuine and productive social order is possible only when each person is free to pursue his own goals in his own way, constrained by no *political* power. Coercive political power is the enemy of social order because it is unavoidably arbitrary—bestowing favors for reasons wholly unrelated to the values the recipients provide to their fellow human beings. And even if by some miracle the exercise of political power could be shorn of its arbitrariness, it can never escape being an exercise conducted in gross ignorance. It is a simpleton's fantasy to imagine that all the immense and detailed knowledge necessary for the successful central direction of human affairs can ever be possessed by government.

Society emerges from the cooperation of hundreds of millions of people, each acting on the basis of his own unique knowledge of individual wants, talents, occupations, and circumstances. No bureaucrat can know enough about software design to outperform Bill Gates, or enough about retailing to successfully second-guess the folks at Wal-Mart, or enough about any of the millions of different industries to outdo people who are highly specialized in their various trades.

The coercivist-voluntarist vocabulary is superior to the left-right, or liberal-conservative, vocabulary at distinguishing liberty's friends from its foes. Support for high taxes and intrusive government commercial regulation is a "liberal" trait. A supporter of high taxes and regulation is also, however, properly labeled a coercivist. But note: no less of a coercivist is the conservative who applauds government regulation of what adults voluntarily read, view, or ingest. Both parties believe that social order will deteriorate into chaos unless government coercion overrides the myriad private choices made by individuals.

Voluntarists are typically accused of endorsing complete freedom of each individual from all restraints. This accusation is nonsense. While they oppose heavy reliance upon *coercively* imposed restraints, sensible voluntarists do not oppose restraints *per se*. Voluntarists, in contrast to coercivists, recognize that superior restraints on individual behavior emerge decentrally and peaceably. Parents restrain their children. Neighbors use both formal and informal means to restrain each other from un-neighborly behaviors. The ability of buyers to choose where to spend their money restrains businesses from abusing customers.

A free society is chock-full of such decentrally and noncoercively imposed restraints. Indeed, it is the voluntary origins of such restraints that make them more trustworthy than coercively imposed restraints. A voluntary restraint grows decentrally from the give and take of everyday life and is sensitive to all the costs and benefits of both the restraint itself and of the restrained behavior. But a coercive restraint too often is the product not of that give and take of all affected parties but, instead, of political deals. And political deals are notoriously biased toward the wishes of the politically well-organized while ignoring the wishes of those unable to form effective political coalitions. What's more, members of the political class often free themselves from the very restraints they foist upon others. Coercively imposed restraints are not social restraints at all; rather, they are arbitrary commands issued by the politically privileged.

The true voluntarist fears nothing as much as he fears coercive power—whether exercised by those on the "left" or the "right."

Donald J. Boudreaux
President

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than free trade. While the establishment of the proposed International Trade Organization was avoided, free trade was not restored.

While far from the ideal, the managed-trade regime that followed World War II was a measurable improvement over the beggar-thy-neighbor protectionism which preceded that conflict. For a while even, the international bureaucracies that managed trade seemed to move the world in the right direction, generally lowering tariff rates. Managed traders seemed to resemble free traders. However, as memories of the folly of Smoot-Hawley[4] faded, politically well-connected firms sought shelter from the cold winds of international competition. As bureaucrats reverted to empire-building form, managed trade became a fig leaf for protectionism. A rundown of the major vehicles of managed trade illustrates this.

Mechanisms of Managed Trade

GATT

The General Agreement on Trade and Tariffs (GATT) came about largely by default. Established on an interim basis, to be superseded by the International Trade Organization, it ended up lasting four decades when the proposed ITO failed to muster the votes to be passed by Congress. GATT basically provided for tariff reduction based on multilateralism. While it did achieve a number of piecemeal steps in the direction of freer trade, its weak link was that it played into the popular notion that *unilateral* relinquishing of trade barriers was at best a mixed blessing. The idea that a country should not "give up" its trade barriers shifted the focus to "striking a deal" and away from the merits of free trade itself.

NAFTA

The North American Free Trade Agreement (NAFTA) is the quintessential managed-trade vehicle sold under the rubric of free trade. The first tip-off should be its size. While we earlier saw how 54 words in the U.S. Constitution established free trade among the states of the Union, NAFTA weighs in at over 2,000 *pages*, 900 of which are tariff rates. (Under true free trade, there is *one* tariff rate—0 percent.) The agreement does have trade-liberalizing features, to be sure. Consisting of a 10 percent reduction in tariffs to be phased in over 15 years, however, they are all but buried under the profusion of controls NAFTA also establishes.

In the first place, the benefit from those tariff reductions are jeopardized by the agreement's "snap-back provisions." Those permit pre-NAFTA tariff levels to be restored against imported items which "cause or threaten serious injury to domestic industry."[5] In other words, NAFTA supports free trade as long as it does not promote international competition which is too hot for favored domestic firms to handle. In addition, NAFTA's rules of origin are designed to divert trade from the *world's* most efficient suppliers to *North America's* most efficient suppliers. This hobbles the international division of labor instead of expanding it, as true free trade does.

The importance of NAFTA clauses that keep *out* foreign goods came to light as U.S. clothing manufacturers railed against the import of wool suits from our NAFTA partner Canada. The suits in question were made from third-country wool *not* covered by NAFTA rules of origin. Since Canadian tariffs on foreign wool were lower than U.S. tariffs (10 percent vs. 34 percent),[6] Canadian suits sold for less and soon claimed a large share of the U.S. market. The fact that the entire discussion of this issue centered on closing this "loophole" in NAFTA rather than on lowering the injurious U.S. tariff on wool should prove how devoted NAFTA's supporters are to free trade.

Free trade does not depend on international bureaucracies, yet NAFTA creates several of them. Its Commission for Environmental Cooperation was set up to enforce the environmental aim of sustainable growth. One tactic it uses is to prevent countries from trying to create a friendlier environment for investors by relaxing any extant environmental regulations.[7] Such rules are to be enforced by trade sanctions and fines, with the latter to go into a slush fund for "environmental law enforcement."[8] NAFTA also created a Labor Commission, whose purpose is to "level the

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playing field" between trading partners with regard to labor costs. To repeat, free trade this is not.

WTO

The crowning jewel of managed trade is the World Trade Organization. Instituted to replace GATT, its 29,000-page treaty is a bureaucrat's dream come true. Its driving force comes from those who see government's job as "civilizing" the market (which they believe would otherwise operate as the law of the jungle). While those 29,000 pages say little about deregulating trade, they say a great deal about regulating everything else. Whereas GATT had been a voluntary forum for nations seeking mutual agreements to lower tariffs, the WTO has enforcement powers, with trade sanctions chief among them.

The treaty and other enabling legislation creating WTO overflows with such Orwellian verbiage as "systematic denial of worker rights in order to gain a competitive advantage is an unjustifiable trade barrier."[9] In other words, people in poor countries are allowed to participate in international trade as long as they don't offer to sell goods cheaply enough that anyone would desire to purchase them. Indeed, many within the WTO bureaucracy support extending minimum-wage "protection" to poor nations in which they would wreak even more havoc than they do in the "advanced" nations where they are already in force.

The WTO agreement also expands the reach of anti-dumping laws, another favorite tool of entrenched multinational corporations to shield themselves from the competition of Third World upstarts. Technically defined as exporting goods below costs, the very concept of dumping is problematic, given costs' subjective nature. Any determination of a firm's costs by one not involved in the decision-making process must by definition be arbitrary.

The concept of harmonization is another buzzword beloved by the managed trade mavens of the WTO. The idea here is to achieve uniformity of labor laws, environmental and health regulations, and a host of other such restrictions on enterprise. And surprise, surprise—achievement of this uniformity is to come by countries with the least restrictive measures ratcheting them up to the level of the most restrictive (known as upward harmonization). Clearly, the goal is not worldwide free trade based on the division of labor, but rather of a worldwide welfare state based on the faith that bureaucrats know best how to run businesses in which they themselves have no stake.

Conclusion

Free trade means the ability of producers to exchange their wares with anyone on the globe for other goods without some government standing in the way of some of those exchanges due to the country of origin of the goods involved. It requires no more laws or institutions than are necessary to provide standard protection of the property rights of all involved in the exchange. It is the application of laissez faire across international borders: nothing more, nothing less.

Multivolume documents paying lip service to free trade but forbidding transactions by parties whose competitive advantages are considered by some to be unfair are the antithesis of free trade no matter how many times the words "free trade" appear in their pages. That managed trade proponents hide the nature of their policy preferences under the cloak of free trade reveals their utter shamelessness. It also suggests that the free trade side is winning the battle of ideas. □

1. Cited by Lindley H. Clark, Jr., "The GATT Struggle Continues," the *Wall Street Journal*.
2. A compendium of the successful refutations of economic theories which purported to find exceptions to the general benefits of a free trade regime can be found in Douglas Irwin, *Against the Tide* (Princeton, N.J.: Princeton University Press, 1996).
3. Cited by Llewellyn H. Rockwell, Jr. in "Who Killed Free Trade?" *The Free Market* 14, April 1996, p. 2.
4. The Smoot-Hawley Tariff was passed in 1930 supposedly to prevent the loss of American jobs to foreigners. It raised tariff rates to unprecedented levels and ended up crippling world trade and contributing to the severity of the Great Depression.
5. James M. Sheehan, "Nafta—Free Trade in Name Only," the *Wall Street Journal*, September 9, 1993.
6. Christopher J. Chippelo, "Fight Looms over Canada's Suit Exports," the *Wall Street Journal*, August 7, 1996, p. A2.
7. For example, article 1114 forbids relaxing environmental regulations "as an encouragement for establishment, acquisition, expansion or retention in its territory of an investment or investor." Sheehan, *ibid.*
8. Matthew C. Hoffman and James M. Sheehan, *The Free Trade Case against NAFTA* (Washington, D.C.: Competitive Enterprise Institute, 1993), p. 3.
9. William H. Lash III, "Labor Rights and Trade Policy," *The Journal of Commerce and Commercial*, May 17, 1994.

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THE FREEMAN
IDEAS ON LIBERTY

One Life for Liberty

by Becky Akers

A British artillery park, Sunday, September 22, 1776. It wants an hour to noon, but the sun glares mercilessly on the cannon, and the Redcoats milling about mop their brows. There's not much breeze, but what there is stinks of smoke: It blows from the south, where New York City lies smoldering after yesterday's fire.

In front of the park is a tree. A cart and horse wait under it. A noose dangles overhead.

In the cart stands a young and outrageously handsome man. He's serene, confident, almost cheerful. His hands are bound behind him. Otherwise, no one would guess he's about to die, like a murderer, like a thief.

The hangman scrambles into the cart beside him, tugs the noose tight around his neck, tells him if he's got anything to say, he better say it now.

He sweeps the British with eyes as blue as the East River behind them.

"I only regret that I have but one life to give for my country."

With those words, Captain Nathan Hale of the 19th Connecticut Regiment of the Continental Army is hanged for espionage. He is 21 years old.

Old enough to have starved and marched for a year in Washington's army. Too young to have left anything but mundane letters and a matter-of-fact journal of his months as a Continental officer.

Captain Hale wrote no inspired treatises on liberty, no books extolling freedom. He worked on a different, larger manuscript, that of the American Revolution.

Historians often distort the Revolution into a class war of merchants against farmers, with independence from England the Patriots' only aim. But contemporaries knew exactly what the Revolution was about. Its commander-in-chief was famous for calling George III "a tyrant," his government a "diabolical ministry," for exhorting his troops to "show the whole world that a Freeman, contending for liberty on his own ground, is superior to any slavish mercenary on earth."[1] The Congress running it was comprised of members like the Adamses, who lived, breathed, and dreamed liberty. ("But while I do live," John Adams said during debate on the Declaration of Independence, "let me have a country, and that a free country." Cousin Sam had written in 1772, "The natural liberty of man is to be free from any superior power on Earth, and not to be under the will or legislative authority of man, but only to have the law of nature for his rule.") Then there was the English convert cheering it on with such sentiments as "Government, even in its best state is but a necessary evil; in its worst state an intolerable one."[2] A man showed how much he valued freedom, how he wanted to live free of excises and restrictions on travel and regulations about how and where he conducted business, just by joining up.

Who Was Nathan Hale?

As the Revolution has been twisted, so have Nathan Hale and his last words. Today he is

Becky Akers has written a novel on Nathan Hale for which she is seeking publication.

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largely forgotten or dismissed as a bumbling farmboy who let his enthusiasm carry him away. But again, his contemporaries understood what motivated him. They even engraved it on his memorial tablet: "Resign'd his life a sacrifice to his country's liberty."

Nathan Hale was as extraordinary in life as he was in death. Colonel Samuel Green recalled that he was "peculiarly engaging in his manners—. . . old & young exceedingly attached to him—respected highly by all his acquaintance—fine moral character. Everybody that knew Hale was attached to him—'that's the fact.'"[3] Mrs. Elizabeth Adams Poole, whose family boarded Hale while he taught school in New London, Connecticut, remembered that his "appearance, manners, & temper secured the purest affection of those to whom he was known. . . . On the whole I then thought him (& his tremendous"—i.e., shameful: spies were then considered the worst of criminals—"fate has not weakened the impression) one of the most perfect human characters recorded in history or exemplified in any age or nation." Mrs. Poole wrote this in 1837, when people liked their heroes unblemished. Still, it is hard to fault Nathan Hale. Everyone spoke of him with overwhelming affection, and unlike some champions of liberty, he never violated the ideals of freedom.

Born June 6, 1755, in Coventry, Connecticut, he was one of ten children (two more died as infants) raised by Richard "Deacon" Hale and his wife Elizabeth Strong. The family was already distinguished. Nathan's great-grandparents, John and Sarah Hale, helped end the Salem witch trials, and both the Hale and Strong families were spangled with ministers, the celebrities of Puritan New England.

Deacon Hale prospered enough on his farm to educate several of his eight sons. Nathan and his brother Enoch were tutored by Coventry's minister, the Reverend Joseph Huntington, whose brother Samuel would later sign the Declaration of Independence.

Nathan enrolled at Yale College when he was 14. Admission required fluency in Latin and Greek, so Nathan had already read—and for the next four years would continue to read—such authors as Cicero and Aristotle. He also showed an athleticism that awed his friends: "I have seen him," Lieutenant Elisha Bostwick reported, "follow a football & kick it over the tops of the trees . . . (an exercise he was fond of)." Colonel Green recalled that he "[w]as exceedingly active—would jump from the bottom of one hogshead up and down into a second and from the second up and down into a third like a cat—used to perform this feat often—would put his hand on a fence high as his head, and jump over it." Legend says he made such a prodigious broad jump on New Haven's green that the marks were preserved for years.

At commencement, Nathan and three classmates debated, "Whether the Education of Daughters be not without any just reason more neglected than that of Sons?" There is no record of which side each graduate argued. But it is likely that Nathan spoke against restricting school to boys as he was teaching a class of girls less than a year later.

Schoolmaster . . .

Schoolteaching demanded a strong arm, for whippings were as much a part of the curriculum as reading and writing. But according to Colonel Green, Master Hale broke with that tradition: "Children all loved him for his tact and amiability . . . wonderful control over boys—without severity . . ." Mrs. Poole agreed: ". . . the mildness of his mode of instruction, was highly appreciated by Parents & Pupils." And there was his class for girls, which met from 5:00–7:00 every morning, before the start of the regular school day. Educating females was a liberal notion in 1774, but Master Hale mentions it nonchalantly in a letter to his uncle: "20 young ladies" attended his class, "for which I have received 6s [shillings] a scholar, by the quarter."

He was teaching in New London, Connecticut, in April 1775 when couriers from the Massachusetts Committee of Safety spread the news of Lexington and Concord. Not only had mere farmers confronted British Regulars intent on raiding a colonial arsenal, but those farmers and hundreds of their neigh-

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bors then sent the Regulars skedaddling back to Boston under withering fire. Town meetings were called all over New England to discuss this disarming of free men. Years later, Leverett Saltonstall wrote about the gathering in New London, "related to me by my aged friend, Capt. Richard Law, who at that time was [Nathan Hale's] pupil . . . Mr. Hale [said] 'let us march immediately and never lay down our arms untill we obtain our Independence.' . . . Capt. Law states that he was very young at that time . . . [but he was] struck by the noble demeanour of Hale, and the emphasis with which he addressed the assembly, [and] he enquired of his Father, what it meant." As well he might. Few were advocating independence from England at that time. Even George Washington and John Adams hoped for reconciliation. It was not until *Common Sense* burst on the Colonies eight months later that independence from England was accepted as the best way to safeguard liberty.

Soldier . . .

Nathan Hale enlisted as a lieutenant with the Connecticut militia that July and, a few months later, was commissioned a captain in the Continental Army.

Meanwhile, the Rebellion proceeded gloriously. Patriots had not only chased the Redcoats back to Boston, they kept them besieged there for the next eight weeks. When the British tried to break out at the Battle of Bunker Hill, the Americans ceded the hill but wounded or killed half the Redcoats. Better yet, the siege resumed apace.

There were problems, to be sure. One was the disorganization of the Continental Army, especially the quartermaster's department. Food, pay, even ammunition and weapons were in short supply. The recruiting office was almost as bad. Men had enlisted through the end of the year, and as December 1775 approached, the hungry, unpaid, musketless Patriots gathered around Boston would go home—en masse. The British would sit unopposed in Boston, free to invade the countryside. Some officers, such as General Charles Lee, berated and threatened their men, trying to force them to stay. But Captain Hale used a free-market approach. He paid his company out of his own pocket to remain until new recruits arrived.

Finally, in March of 1776, General Sir William Howe, Commander of His Majesty's Land Forces in North America, admitted defeat. Farmers watched in jubilant disbelief as the world's best army boarded transports and abandoned Boston.

Patriot morale soared at the British departure (though everyone knew Howe and his Redcoats would return, probably to New York City, so Washington hurried his troops there). It rose even higher in July, when Congress published the Declaration of Independence. Here was lyrical, logical justification for rebellion: when "any form of government becomes destructive" of liberty, "it is [the people's] right, it is their duty, to throw off such government." With such encouragement, men continued to enlist, more than could be outfitted and fed. Their spirit was hardly dampened when Howe's fleet, augmented by fresh troops from England and German mercenaries, was sighted south of New York. Even an epidemic of typhus fever did not quell their enthusiasm.

But the problems with payroll and supply that had plagued the army at Boston followed them to New York. So Captain Hale led a detachment to capture a British supply sloop from under the 64 guns of a man-of-war, thus arming and feeding the Continentals after months of scanty provisions.

In August 1776, after the successes of Lexington and Concord, the battle at Bunker Hill, and the evacuation of Boston, Americans suffered their first defeat when Howe's army squared off against them in the Battle of Brooklyn. The British found an undefended pass on the Americans' left and swept in behind them. At day's end, the Continentals—or what was left of them: 2,000 out of 19,000 were casualties—huddled in their fortifications on Brooklyn Heights, trapped. The East River lay behind them, and Redcoats were building siege tunnels a few hundred yards in front. A siege was the classic way to end a battle—and, in this case, the war.

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Barring a miracle, the besieged could look forward to thorough defeat.

But Washington and "a kind Providence" worked that miracle. Rain fell the next three days, wetting gunpowder and preventing further fighting. The storm also kept the British Navy from sailing up the East River to bombard the Americans' rear. Washington thus had time to orchestrate a daring retreat. Under cover of darkness, he ferried his army across the East River, back to Manhattan, right under British noses.

Still, defeat loomed. Sooner or later the British Army would follow them across the river, the British Navy would surround Manhattan Island. Washington's force of 30,000 began deserting until only 10,000 terrified farmers and shopkeepers remained. With this number, the General had to defend Manhattan's 18 miles of accessible coastline from Howe's 35,000 professionals. Obviously, if Washington knew the time and place of the British beachhead, he could mass his troops, maybe even hold New York.

He needed a spy.

Spy

Espionage in those days before James Bond was considered neither sexy nor glamorous. One Continental officer called it "moral degradation" and added, "Who respects the character of a spy, assuming the garb of friendship but to betray? . . . Let us . . . not stain our honor by the sacrifice of integrity." So heinous was it that years later, when President Washington wanted to honor some of the Revolution's surviving agents with a dinner party, they declined rather than admit their involvement to family and friends.

In early September 1776, then, with the British preparing to cross the East River and finish the war, Washington turned to Colonel Thomas Knowlton of Connecticut for help. After the debacle in Brooklyn, Knowlton had formed about 100 men, the crème de la crème of the army, into a corps of Rangers. He recruited four captains, one of whom was Nathan Hale. Their main duty was reconnaissance, to make sure the British never again surprised the troops as they had in Brooklyn.

Washington may have talked to the Rangers himself, or he may have asked Knowlton to handle it. Either way, finding a spy would be difficult. Few men would volunteer for such ignominy.

But Captain Hale did.

His friends tried to dissuade him. "I [told him]," wrote Captain William Hull, who had known Nathan at Yale, "that it was an action . . . [whose] propriety . . . was doubtful . . . the employment was not in keeping with his character. His nature was too frank and open for deceit and disguise."

"After the retreat of our army from Long Island," Sergeant Stephen Hempstead recalled, "[Captain Hale] informed me, he was sent for to Head Quarters, and was solicited to go over to Long Island to discover the disposition of the enemy's camps, &c., expecting them to attack New York, but that he was too unwell to go, not having recovered from a recent illness; that upon a second application, he had consented to go." Asher Wright, a boyhood friend who had followed Hale to war as his attendant, thought it folly: "He was too good-looking to go so. He could not deceive. Some scrubby fellows ought to have gone. He had marks on his forehead so that anybody would know him who had ever seen him—having had powder flashed in his face."

Neither illness nor his friends' disapproval kept the Captain from his mission. Sergeant Hempstead accompanied him as he ". . . left our Camp on Harlem Heights . . . Capt Hale had changed his uniform for a plain suit of citizens brown clothes . . . [afterwards] we parted for the last time in life." This is our final glimpse of Hale until British logs note his arrest.

We know nothing of his activities behind the lines. Likewise, there are no eyewitness accounts of his capture. Many suspected false play: ". . . betra'd he doutless wass by somebody," his father wrote. "[H]e was executed about the 22nd of Sepetember Last by the Aconts we have had. A Child I sot much by but he is gone. . . ." Some thought that Nathan's cousin Samuel, a Tory from New Hampshire who was serving as Howe's Deputy Commissary of Prisoners, had recognized and betrayed him. According to other stories, he

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gave himself away. His brother Enoch's journal says, "... Being suspected by his movement [that] he wanted to get out of N York [he] was taken up & examined by the Genl [Howe] & some minutes being found with him orders were immediately given that he should be hanged."

British Lieutenant Frederick Mackenzie corroborates the interrogation by General Howe: "A person named Nathaniel Hales [sic] ... this day made a full and free confession to the Commander in Chief of his being employed by Mr. Washington...." Howe probably offered the prisoner his life to turn his coat. Although we would not condemn a man's efforts to save his neck by switching sides and then deserting, an eighteenth-century gentleman would never stoop to that. Such a choice for Nathan Hale was no choice at all.

Still, it is remarkable that he refused. From his vantage, the Revolution was finished. Howe had devastated the Continentals at the Battle of Brooklyn one month ago; during the week or ten days that Captain Hale was behind their lines, British forces had invaded New York City with only token resistance from the shattered Patriots; Howe's well-fed, professional army outnumbered Washington's rabble three to one, besides the British navy cruising New York's bay, ready to shell Continental fortifications. It was only a matter of time until the Redcoats marched north from the city (then occupying the southern tip of Manhattan Island) to Harlem Heights, mopping up the Continentals as they went.

Yet Captain Hale stayed true to his cause.

On the gallows, Mackenzie reported, "he behaved with great composure and resolution." William Hull recalled that "... [British Captain John Montresor] came to our camp, under a flag of truce and informed [us] ... that Captain Hale had been ... executed that morning ... [Montresor] was present ... and seemed touched by the circumstances ... [Captain Hale] was calm, and bore himself with gentle dignity, in the consciousness of rectitude and high intentions.... He said, 'I only regret that I have but one life to lose for my country.'"

This extract, from Hull's memoirs, was written decades after the Revolution. By then, a country and government that were already abusing the people's hard-won liberties had been established. But in 1782, just six years after Nathan Hale's death, an article appeared anonymously in the *Boston Chronicle*. Evidence suggests that Hull was its author. Here he quotes Captain Hale's last words as, "'I am so satisfied with the cause in which I have engaged, that my only regret is that I have not more lives than one to offer in its service.'"

Obviously, the shorter version packs a greater punch, but it also changes "cause" to "country." Nathan Hale was no nationalist. He gave his life for the cause of liberty, not for a collection of state governments that hardly existed and was not venerated once it did.

In one of the Revolution's darkest hours, Nathan Hale stood firm for liberty. He refused to renounce its ideals though it cost him his life and though the Continental Army faced annihilation. His courage in the face of such hopelessness inspired that army during the fall and winter of 1776, as they lost battle after battle but continued to regroup and fight. It inspires to this day. So "why is it," Sergeant Hempstead marveled, "that the delicious Capt Hale should be ... forgotten?" □

1. George Washington, General Orders, Headquarters, New York, July 2, 1776.

2. Thomas Paine, *Common Sense*, 1776.

3. Quoted in *The Documentary Life of Nathan Hale* by George Dudley Seymour, 1941, p. 158. Seymour's biography was privately printed and so is extremely hard to find. It consists of original sources as well as secondary articles on Captain Hale. In the nineteenth century, Nathan Hale and the other heroes of the Revolution were romanticized, and biographies that were really hagiographies appeared. Seymour was the first serious biographer of Hale. Although he admired Hale intensely, he never accepted legend as fact but carefully researched and verified all original accounts before including them in his *Documentary Life*. Subsequent quotations in this article are from Seymour's book.

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THE FREEMAN
IDEAS ON LIBERTY

Anne Robert Jacques Turgot, Who First Put Laissez-Faire Principles into Action

by Jim Powell

By the mid-eighteenth century, a number of authors had expressed the liberating vision that came to be known as laissez faire. Anne Robert Jacques Turgot put it into action.

As regional administrator and later comptroller-general of France, a nation which had succumbed to absolute monarchy, he took giant steps for liberty. He spoke out for religious toleration. He granted freedom of expression. He gave people freedom to pursue the work of their choice. He cut government spending. He opposed inflation and made a case for gold. He abolished some onerous taxes and trade restrictions. He abolished monopoly privileges. He abolished forced labor.

Turgot was respected by leading thinkers for liberty, including the Baron de Montesquieu, the Marquis de Condorcet, and Benjamin Franklin. Referring to Turgot, Adam Smith wrote that "I had the happiness of his acquaintance, and, I flattered myself, even of his friendship and esteem." After meeting Turgot in 1760, Voltaire told a friend: "I have scarcely ever seen a man more lovable or better informed." Jean Baptiste Say, who inspired so many French libertarians during the nineteenth century, declared, "There are hardly any works which can yield to the journalist and to the statesman an ampler harvest of facts and of instruction than may be found in the writings of Turgot." Pierre-Samuel Du Pont de Nemours, a French champion of laissez faire and founder of the American industrial family, paid his friend Thomas Jefferson the supreme compliment by calling him "the American Turgot."

Turgot displayed remarkable vision. For instance, he predicted the American Revolution in 1750, more than two decades before George Washington and Benjamin Franklin saw it coming. In 1778, Turgot warned Americans that "slavery is incompatible with a good political constitution." He warned that Americans had more to fear from civil war than foreign enemies. He predicted that "Americans are bound to become great, not by war but by culture." Turgot warned French King Louis XVI that unless taxes and government spending were cut, there would be a revolution which might cost him his head. Turgot warned about the dangers of fiat paper money, and when it was resorted to during the French Revolution, the result was ruinous runaway inflation and a military coup. Turgot

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showed how people could make the transition from absolutism to self-government.

Although few of Turgot's writings were published in his lifetime, he was ablaze with ideas for liberty. "Turgot was much too able a man to write anything insignificant," observed intellectual historian Joseph A. Schumpeter. Commenting on his most important work, a slim volume, Schumpeter noted that it contains "a theory of barter, price, and money that, so far as it goes, is almost faultless . . . comprehensive vision of all the essential facts and their interrelations plus excellence of formulation."

Early Life

Anne Robert Jacques Turgot was born in Paris on May 10, 1727, the third and youngest son of Michel Étienne Turgot and Madeleine Françoise Martineau. His father was a government official who helped build the Paris sewage system. An awkward child, Turgot didn't seem to get along with his mother, who reportedly cherished fine manners above all. The family, which had Norman roots, lived comfortably.

Early on, Turgot acquired a love for learning. He attended the Collège du Plessis where he discovered the theories of English physicist Isaac Newton. It was traditional for the youngest son to become a priest, and accordingly Turgot enrolled at the Saint-Sulpice seminary, where he earned his bachelor of theology and became known as Abbé de Brucourt. He then enrolled at the Sorbonne.

A fellow student named Morellet remarked that "The remembrance of Turgot is sweet to all who have known him personally. Already his mind announced all the qualities it afterwards unfolded of sagacity, penetration, and profoundness. He had the simplicity of a child, yet it was compatible with a kind of dignity." Despite a striking physical appearance, Turgot was shy around women. He never married.

Turgot learned English, German, Greek, Hebrew, Italian, and Latin. He translated into French works by Caesar, Homer, Horace, Ovid, Seneca, Virgil, and other classical authors, as well as writings by eighteenth-century authors like Joseph Addison, Samuel Johnson, and Alexander Pope. He translated David Hume's essay "On the Jealousy of Trade."

Turgot's first writing on economics was an April 7, 1749, letter to his friend Abbé de Cice. He attacked the doctrines of the Scottish financier John Law, who moved to France and in 1716 began promoting what became a disastrous inflation. Defending gold, Turgot wrote: "It is ridiculous to say that metallic money is only a sign of value, the credit of which is founded on the stamp of the king. This stamp is only to certify the weight and the title. Even in its relation to commodities the metal uncoined is of the same price as that coined, the marked value is simply a denomination. This is what Law seems to have been ignorant of in establishing his bank.

"It is then as merchandise that coined money is (not the sign) but the common measure of other merchandise, and that not by an arbitrary convention, founded on the glamour of that metal, but because, being fit to be employed in different shapes as merchandise, and having on account of this property a saleable value, a little increased by the use made of it as money and being besides suitable of reduction to a given standard and of being equally divided, we always know the value of it. Gold obtains its price from its rarity."

While at the Sorbonne, in December 1750, Turgot wrote a Latin dissertation ("On the successive advances of the Human Mind") which provided an early view of human progress.

Turgot hailed American optimism: "Let us turn our eyes away from those sad sights, let us cast them on the immense plains of the interior of America. . . . The soil, hitherto uncultivated, is made fruitful by industrious hands. Laws faithfully observed maintain henceforth tranquillity in these favoured regions. The ravages of war are there unknown. Equality has banished from them poverty and luxury, and preserves there, with liberty, virtue and simplicity of manners; our arts will spread themselves there without our vices. Happy peoples!"

By this time, Turgot had second thoughts

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about entering the priesthood. He confided to his friend Du Pont de Nemours (1739-1817) that "it is impossible for me to give myself up, all my life, wearing a mask." Turgot obtained his father's permission to pursue a law career, and he left the Sorbonne.

With his obvious intelligence and learning, he met many of the leading thinkers of the day, including political philosopher Charles Louis de Secondat (Baron de Montesquieu), philosopher Claude Adrien Helvetius, and mathematician Jean Le Rond D'Alembert. In January 1752, Turgot secured an appointment to a minor government post, deputy councillor of the procurator-general. The following year, he was appointed—presumably after having paid a consideration—to the "royal parliament," which functioned as a court. There wasn't any elected legislative assembly.

Early Work

Turgot's first published work, *Le Conciliateur*, appeared in 1754. It was a pamphlet protesting plans to renew religious persecution. As a Catholic addressing Catholics, he wrote: "I know of how many wars heresies have been the source, but is not this because we have persisted in persecuting them? The man who believes earnestly believes with still more firmness if we would force him to change his belief without convincing him; he then becomes obstinate, his obstinancy kindles his zeal, his zeal inflames him; we wish to convert him, we have made of him a fanatic, a madman. Men, for their opinions, demand only liberty; if you deprive them of it, you place arms in their hand. Give them liberty, they remain quiet, as the Lutherans were at Strasburg. It is then the very unity in religion we would enforce, and not the different opinions we tolerate, that produces trouble and civil wars."

"If the prisons of the Inquisition were terrible," he continued, "France itself has had only too many which have echoed the cries of the oppressed conscience. If the former were unjust, why should the latter be authorized? We who condemn with horror the minister of the Church who, by torture, compelled the mind, should we give to our king the right still to subjugate it? We regard with indignation the inflictions which, in Italy and in Spain, obstruct the rights of conscience; the least reflection should prevent our feeling less for the conscience of our own citizens."

Meanwhile, Turgot had befriended Jacques Claude Marie Vincent, Marquis de Gournay (1712–1759), whom intellectual historian Joseph A. Schumpeter called "one of the greatest teachers of economics who ever lived." Widely traveled throughout Europe and especially knowledgeable about English and Dutch business practices, the Marquis de Gournay was a follower of Richard Cantillon, the author of *Essai Sur La Nature Du Commerce En Général,* which offered perhaps the first comprehensive view of free-market operations.

In 1748, Gournay had come into an inheritance, retired from business, and bought himself a government position as inspector of factories. Between 1753 and 1756, he invited Turgot to join him as he visited companies in Anjou, Bourgogne, Bretagne, Dauphine, Languedoc, Lyonnais, Maine, and Provence. Turgot could see that commerce was crucial. Moreover, Gournay's free-trade principles had an impact on Turgot.

The year Gournay died, Turgot wrote his *Éloge de Gournay [Elegy for Gournay]* in which he explained why government officials couldn't run an economy. For instance: "If the Government limits the number of sellers by exclusive privileges or otherwise, it is certain that the consumer will be wronged and that the seller, made sure of selling, will compel him to buy dearly bad articles. If, on the other hand, it is the number of buyers which is diminished by the exclusion of foreigners or of certain persons, then the seller is wronged, and if the injury be carried to the point when the price cannot cover his expenses and risks, he will cease to produce the commodity, its regular supply will thus be endangered, and a famine may be the consequence. The general liberty of buying and selling is therefore the only means to insure on the one side to the seller a price sufficient to encourage production; on the other side to the consumer the best merchandise at the lowest price."

"To desire that government should be

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obliged to prevent fraud from ever occurring would be to desire it to provide head pads for all children who might fall. To assume, by regulations, successfully to prevent all the possible malversations of this nature, is to sacrifice to a chimerical perfection the whole progress of industry."

The Physiocrats

Turgot defended economic liberty in "Fondations" ["Foundations"] and "Foires et Marchés" ["Fairs and Markets"], articles for Denis Diderot's famous and widely influential 17-volume *Encyclopédie* (1751–1772). Somewhere along the line, Turgot had become familiar with the views of the "Physiocrats." Economist, editor, and government official Du Pont de Nemours (1739–1817) coined the term from the Greek words *physis* ["let nature"] and *kratein* ["rule"]. His book *Physiocratie* appeared in 1768. The brash, bold Du Pont de Nemours became a close friend of Turgot, who was godfather to his third son and suggested the name of this boy—Eleuthère Irénée ("freedom and peace")—destined to launch the family colossus, E.I. du Pont de Nemours & Cie.

"Physiocrat" referred to ideas popularized by François Quesnay (1694–1774), a nobleman's son who made himself a surgeon and bought his post as physician to King Louis XV and his influential courtesan Madame de Pompadour. Historians Will and Ariel Durant wrote that although Quesnay "was a self-confident dogmatist in his works, he was in person a kindly soul, distinguished by integrity in an immoral milieu."

Quesnay attacked taxes and trade restrictions in his articles for the *Encyclopédie* (1756), his own little book *Tableau économique* (1758), and elsewhere. There will be prosperity, he insisted, if "each person is free to cultivate his in fields such products as his interests, his means, and the nature of the land suggest to him."

According to historians Will and Ariel Durant, "Louis XV asked Quesnay what he would do if he were king. 'Nothing,' answered Quesnay. 'Who, then, would govern?' 'The laws'—by which the physiocrat meant the 'laws' inherent in the nature of man and governing supply and demand." On September 17, 1754, the king issued an edict abolishing all restrictions on trade in wheat, rye, and corn, but a subsequent crop failure led to higher prices, and there was a clamor for restoring controls. The edicts were rescinded on December 23, 1770.

The political philosophy of the Physiocrats was perhaps best expressed in the 1767 book *L'ordre natural et essentiel des sociétés politiques* [*The Natural and Essential Order of Political Societies*] by Pierre-Paul Mercier de la Rivière (1720–1793). "Do you wish a society to attain the highest degree of wealth, population, and power? Trust, then, its interests to freedom, and let this be universal. By means of this liberty (which is the essential element of industry) and the desire to enjoy—stimulated by competition and enlightened by experience and example—you are guaranteed that everyone will always act for his own greatest possible advantage, and consequently will contribute with all the power of his particular interest to the general good, both to the ruler and to every member of the society."

On August 8, 1761, Turgot was appointed an *intendant* (chief administrator) for the provinces of Angomois, Basse-Marche, and Limousin, a region in central France later known as Limoges. As the nineteenth-century historian and thinker Alexis de Tocqueville explained, "The intendant was in possession of the whole reality of Government. All the powers which the Council of State itself possessed were accumulated in his hands. Like the Council he was at once administrator and judge. He corresponded with all the Ministers, and in the province was the sole agent of all the measures of the Government."

Limoges was among the poorest regions of France. Almost all the approximately 500,000 people were peasants who lived on chestnuts, rye, and buckwheat. According to the Physiocrat Marquis de Mirabeau (1715–1789), peasants dressed in rags and lived in huts made of clay with a thatch roof, and the most prosperous Limoges farmers could afford to slaughter only one pig a year. Historian Hippolyte Taine, who gathered a tremendous

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amount of material on living conditions, reported that many peasants used plows which were no better than those of ancient Rome. Turgot remarked, "I have seen with pain that in some parishes the curate alone has signed, because no one else could write."

Peasants in Limoges, as elsewhere, were crushed by taxes. Economic historian Florin Aftalion reported there were some 1,600 customs houses throughout France to collect *traites* as goods passed various points along roads and rivers. For instance, explained Cornell University scholar Andrew Dickson White, "on the Loire between Orléans and Nantes, a distance of about two hundred miles, there were twenty-eight custom-houses; and that between Gray and Arles, on the rivers Saône and Rhône, a distance of about three hundred miles, the custom-houses numbered over thirty, causing long delays, and taking from twenty-five to thirty per cent in value of all the products transported."

There were a host of other taxes, including one on salt. The *taille* amounted to about a sixth of the income of peasants. This came on top of feudal duties and church tithes. Peasants got to keep about a fifth of their income. The *taille*, from which some 130,000 clergymen and 140,000 aristocrats were exempted, was based on a tax collector's estimate of a peasant's ability to pay, which meant appearances. Du Pont de Nemours observed: "they [the peasants] did not dare to procure for themselves the number of animals necessary for good farming; they used to cultivate their fields in a poor way so as to pass as poor, which is what they eventually became; they pretended that it was too hard to pay in order to avoid having to pay too much; payments that were inevitably slow were made still slower; they took no pleasure or enjoyment in their food, housing, or dress; their days passed in deprivation and sorrow."

Turgot focused on the most obnoxious taxes, starting with the *taille*. It wasn't within his power as a regional official to abolish the *taille*, but he did what he could. Traditionally, national government finance officials had guessed how much money they were going to spend on wars, maintaining Versailles, bureaucrats, and other things, which determined the amount of tax revenue needed. They demanded about the same portion of taxes from each district as they always had, even though there had been an economic decline in some districts, which effectively meant higher tax rates.

Turgot attributed the economic decline of Limoges to high taxes. He asked that his district's tax quota be cut by 400,000 livres. It was cut 190,000. Year after year for the 13 years that he was an *intendant* in Limoges, he pleaded for tax cuts.

Turgot did have the power to abolish the *corvée*—forced labor—which was the most hated tax on peasants. A remnant of serfdom, this originated as a feudal obligation for peasants to perform a certain amount of labor without pay. The *corvée* became a demand that peasants work as much as 14 days a year on the king's roads, breaking, carting, and shoveling stones. Often this came at the worst time, such as when peasants were busy with their harvest. Landlords, who stood to gain more from roads, contributed nothing. As might be expected, forced labor resulted in poor work, and the roads were terrible.

Turgot hired competent contractors to build and improve roads, and some 450 miles of roads were built in Limoges. He defrayed the costs with a moderate tax. Clergymen and aristocrats remained exempt, but at least peasants were free to work their land. Limoges became known as a district with superior roads—"the wonder of all travellers," as Turgot biographer W. Walker Stephens put it.

Turgot did much to help improve agriculture. Because tons of grain were lost to the grain moth and corn weevil, he helped the Limoges Society of Agriculture find better storage methods. To help diversify food sources, he urged that peasants grow potatoes. As the Marquis de Condorcet observed in his biography of Turgot, "The people at first regarded the potato with disdain and as beneath the dignity of the human species, and they were not reconciled to it till the intendant [Turgot] had caused it to be served at his own table, and to the first class of citizens, and had given it vogue among the fashionable and rich."

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Turgot was in touch with others who embraced ideas of liberty. He dined with the Scottish moral philosopher Adam Smith when he visited Paris in 1765, and later Turgot helped supply Smith with books for his work on *The Wealth of Nations*. But as intellectual historian Peter Groenewegen has shown, Turgot had little impact on Smith's writing, since Smith had already formed his principal views. Like the Physiocrats, both men believed in economic liberty, and unlike the Physiocrats, they recognized the importance of commerce.

In 1766 Turgot wrote an 80-page summary of his views for two Chinese students in Paris. This became *Réflexions sur la Formation et la Distribution des Richesses* [Reflections on the Formation and Distribution of Riches]. It explained much about how free markets work and made a case for laissez-faire policy. Although Turgot wasn't a Physiocrat, he shared their commitment for economic liberty. Du Pont de Nemours published *Réflexions* in the November and December 1769 issues of *Ephémérides du Citoyen*, the Physiocratic journal. But without consulting Turgot, Du Pont de Nemours made a number of changes, and Turgot wasn't pleased.

Turgot made clear his opposition to slavery: "This abominable custom of slavery has once been universal, and is still spread over the greater part of the earth."

He affirmed the importance of sound money: "Thus, then, we come to the constitution of gold and silver as money and universal money, and that without any arbitrary convention among men, without the intervention of any law, but by the nature of things. They are not, as many people have imagined, signs of values; they have themselves a value. If they are susceptible of being the measure and the pledge of other values, they have this property in common with all the other articles that have a value in Commerce. They differ only because being at once more divisible, more unalterable, and more easy to transport than the other commodities, it is more convenient to employ them to measure and represent the values."

Turgot banished the ancient dogma that interest was immoral. "The price of borrowed money is regulated," he wrote, "like that of all other merchandise, by the balance of supply and demand: thus, when there are many borrowers who need money, the interest of money becomes higher; when there are many holders of money who offer to lend it, interest falls. It is, therefore, another mistake to suppose that the interest of money in commerce ought to be fixed by the laws of Princes."

During the famine of 1769–1772, he mortgaged his estate to get money for famine relief. He organized relief efforts financed almost entirely by voluntary contributions. French treasury officials claimed taxes were due from Turgot's relief organization because its records weren't written on stamped paper. He issued an ordinance suspending the stamp tax laws in Limoges. The bakers' guild of Limoges moved to raise bread prices, and Turgot responded by suspending their monopoly privileges. He encouraged people to bring bread from other towns, and they did. He insisted that the best remedy for famine was free trade.

Turgot further defended laissez faire by writing *Lettres sur le commerce des grains*, seven letters to Comptroller-General Abbé Terray. Turgot warned that government is incapable of guaranteeing economic security. He declared: "Government is not the master of seasons, and they should be taught that they have no right to violate the property of the agricultural labourers or the dealers in corn."

Terray was deaf to Turgot's appeal. In December 1770, the Comptroller-General ruled that grain could be sold only in government-controlled marketplaces. Speculation was outlawed. A subsequent measure outlawed grain trading by any merchant who didn't have a license. Grain monopolists regained their power.

Abbé Terray asked Turgot for help protecting iron smelters, and Turgot replied with a letter known as *Sur la Marque des Fers* [On the Mark of Iron]. The title referred to the stamp on iron indicating that it was smelted in France, part of the effort to keep out iron from other countries. "I know no other means of quickening any commerce whatever than by granting to it the greatest liberty," Turgot wrote, "and the freedom from all taxes, which

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the ill-understood interest of the Exchequer has multiplied to excess on all kinds of merchandise, and in particular on the fabrications of iron." Then, talking about how trade retaliations back fire: "The truth is, that in aiming at injuring others, we injure only ourselves."

Conscription

Turgot had to deal with the consequences of military conscription. "The repugnance to service in the militia," he wrote the Minister of War in January 1773, "was so widespread among the people, that each drawing was the signal for the greatest disorders throughout the country, and for a kind of civil war between the peasantry; the one party seeking to escape the drawing, taking refuge in the woods, the other, with arms in hand, pursuing the fugitives, in order to capture them and subject them to the same lot with themselves. Loss of life and minor outrages were common. Depopulation of many of the parishes, with cultivation abandoned, often followed. When the time came to assemble the battalions, it was necessary for the syndics of the parishes to lead on their militia-men escorted by the horse-police, and sometimes bound with cords." Turgot let people voluntarily contribute cash to a pool for those conscripted, and many enlisted for the money.

There was much resentment against the practice of forcing local people to provide room and board for soldiers, and Turgot took action. He rented some buildings as barracks and spread the cost among all the taxpayers. Military discipline reportedly improved.

On May 10, 1774, King Louis XV died of smallpox. He was succeeded by his awkward, timid 19-year-old grandson, who became Louis XVI. His queen was the 19-year-old Marie Antoinette, a beautiful and frivolous daughter of the arrogant Austrian Empress Maria Theresa.

At the time, France had the biggest government in Europe except for Russia. The French government was in desperate shape, having incurred massive debts during the Seven Years War (1756–1763) with Britain. The royal palace of Versailles was an enormous drain. On the payroll were eight architects, 47 musicians, 56 hunters, 295 cooks, 886 nobles with their wives and children, plus secretaries, couriers, physicians, and chaplains, and some 10,000 soldiers who guarded the place. Almost every week, there were two banquets, two balls, and three plays held at Versailles.

Marie Antoinette aggravated the public by her extravagance with taxpayer money. Married to an impotent king, she squandered large sums at card tables and lavished costly gifts on her court favorites. She spent hundreds of thousands of livres on dresses. Austrian ambassador Mercy d'Argentau warned her mother, Maria Theresa: "Although the King has given the Queen, on various occasions, more than 100,000 écus' worth of diamonds, and although her Majesty already has a prodigious collection, she nevertheless resolved to acquire . . . chandelier earrings from Bohmer. I did not conceal from her Majesty that under present economic conditions it would have been wiser to avoid such a tremendous expenditure, but she could not resist."

The Parlements of Paris protested taxes. This body, whose members bought their way in, was the most influential of 13 French parliaments. It had acquired the prerogative of approving royal edicts on taxes before they could go into effect. If the Parlement opposed a tax edict, there would be a *lit de justice*: members would meet the king in his throne room, and he would make a final decision which everyone must obey. But this proceeding was widely resented.

Louis named the 73-year-old Count de Maurepas as his chief adviser. He had held a number of official positions until 1749, when he was dismissed on suspicion of having written some lines critical of courtesan Madame de Pompadour. But Maurepas knew how to pull strings. As royal playwright and historian Jean François Marmontel described him, "he possessed a lynx-eye to seize upon the weak or ridiculous in men, and an imperceptible art to draw them to his purposes . . . he made sport of everything, even of merit itself." Maurepas knew that with his scandalous reputation, he needed some respected figures in the government, and his wife rec-

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ommended Turgot. On July 20, 1774, Turgot was nominated to a minor post, Minister of Marine.

In Limoges, as biographer Leon Say reported, the aristocrats "could not forgive Turgot for having broken with traditions which had hitherto been favourable to them . . . it was not the same with the peasantry. His departure was announced publicly from the pulpit by all the curés of the province, who celebrated mass everywhere on his account. The countrymen suspended their work in order to be present, and all cried: 'It is wisely done by the king to have taken M. Turgot, but it is very sad for us that we have lost him.'"

During the few weeks that Turgot was Minister of Marine, he spoke out for taxpayers against the politically powerful French shipbuilding industry. He recommended that the government buy ships in Sweden rather than France, which would cut costs 40 percent. Turgot countered protectionist objections by observing that the Swedes drank French wines and wore French clothes.

On August 24, 1774, Louis met with Turgot and discussed the country's economic situation. Prodded by Maurepas, the king named Turgot as Comptroller-General. Turgot recognized that the kind of spending and tax cuts he envisioned would encounter ferocious opposition, and he had to have the backing of the king, so he sought an interview.

The king promised his support, and afterward Turgot sent him this memo: "I confine myself to recall to you these three words—

"No Bankruptcy.

"No Increase of Taxes.

"No Loans.

"No bankruptcy, either avowed or disguised by illegal reductions.

"No increase of taxes; the reason for this being in the condition of your people, and still more, in that of your Majesty's own generous heart.

"No loans; because every loan diminishes always the free revenue and necessitates at the end of a certain time, either bankruptcy or the increase of taxes. In times of peace it is permissible to borrow only in order to liquidate old debts, or in order to redeem other loans contracted on less advantageous terms.

"To meet these three points there is but one means. It is to reduce expenditure below revenue, and sufficiently below it to insure each year a saving of twenty millions, to be applied in redemption of the old debts. Without that, the first gunshot will force the State into bankruptcy.

"The question will be asked incredulously, 'On what can we retrench?' and each one, speaking for his own department, will maintain that nearly every particular item of expense is indispensable. They will be able to allege very good reasons, but these must all yield to the absolute necessity of economy.

"It is, then, of absolute necessity for your Majesty to require that the heads of all the departments should concert with the Minister of Finance. It is indispensable that he should discuss with them, in presence of your Majesty, the degree of necessity for all your proposed expenses. It is above all necessary, as soon as you, Sire, shall have decided upon the strictly necessary scale of maintenance of each department, that you prohibit the official in charge of it to order any new expenditure without having first arranged with the Treasury the means of providing for it. . . ."

Turgot's top priority was to establish freedom of the grain trade, as he had done in Limoges. On September 13, 1774, Turgot issued an edict and wrote: "it shall be free to all persons whatever to carry on, as it may seem best to them, their trade in corn and flour, to sell and to buy it, in whatever places they choose throughout the kingdom."

Voltaire was incredulous: "I learned that a Minister of State who was neither a lawyer nor priest had just published an edict by which, in spite of the most sacred prejudices, it was permitted to every Perigourdin to sell and buy wheat in Auvergne. . . . I saw in my canton a dozen of labourers, my brethren, who read the edict. 'How then?' said an old man; 'for sixty years I have been reading these edicts which, in unintelligible language, have always stripped us of natural liberty; now here is one that restores us our liberty, and I can understand every word without difficulty. This is the first time a king reasons with his people.'"

France had long penalized foreigners, and in November 1774, Turgot overturned some

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of the worst laws. For instance, the law which held that the property of a deceased foreigner would revert to the government. Such laws, observed Du Pont de Nemours, "debarred the settling in France of a great number of clever men and industrious artists, of capitalists, and useful merchants, who would have desired nothing more than to make France the centre of their affairs, and which debarred even retired foreigners of wealth attracted by the pleasures of society and the agreeableness of the climate." Du Pont emphasized that Turgot proceeded without demanding "reciprocity, since the good of its operation would be certain for France, and the evil would be but for those countries which did not imitate her."

In January 1775, Turgot suffered an attack of gout which involved inflammation and severe pain in his legs. During the next four months, he was carried in a chair to the king's working quarters. From there, he directed a quarantine of regions devastated by cattle-plague. The king agreed to pay a third of the value of diseased animals which were slaughtered and buried, and this frustrated efforts to control government spending.

Turgot set new standards for integrity. For instance, it had long been the custom for the Farmers-General, the private firm which collected a substantial amount of tax revenue, to give the Comptroller-General about a 100,000-livre bribe upon signing a new contract. Turgot declined the bribe and abolished the practice.

Turgot worked to curtail the rapaciousness of bureaucrats. "People complain also," he wrote, "of the embarrassments they are thrown into by the extreme severity of the penalties, often for the slightest faults. It is indispensable to remedy this, as well as the inconveniences manufacturers suffer from the contradictions in the regulations, and to shield them from the abuse of the authority by the Bureaux of Inspection." Then issuing orders: "You are not to seize anything belonging to them [workers and small manufacturers], any stuff or merchandise, on the pretext of its faultiness. You will confine yourselves to exhorting these poor artificers to make the things better, and to indicate to them the means of doing so."

On April 20, 1775, corn riots erupted in Dijon, reflecting fears that grain produced in that region might be sold elsewhere—and wouldn't be available to relieve hunger in Dijon. Rioting quickly spread to other cities. Mobs stormed through the countryside, yelling "Monopoly!" and "Famine!" They broke into markets, demanding corn and flour for less than what merchants were charging. By May 2, mobs marched on Paris, and an estimated 8,000 people raided flour stores around Versailles. The Parlement of Paris issued a decree and posted notices urging people to petition the king for lower bread prices, and he gave in. Turgot advised the king that violence must be put down swiftly, and he was given command of a 25,000-man force which protected an orderly flow of grain to the markets. He had parliament's notices removed. His rivals at the royal court weren't pleased.

Between June and August 1775, Turgot issued edicts abolishing duties imposed by major towns like Beaune, Bordeaux, Dijon, and Pontoise.

Freedom of Speech

Turgot practiced freedom of speech. For instance, financier and politician Jacques Necker wrote a pamphlet *Sur la Législation et le Commerce des Grains* which criticized laissez-faire views and defended government restrictions on the grain trade. Turgot let it be published.

Although Turgot never challenged the legitimacy of a monarchy, he became convinced that people should prepare for self-government. Together with Du Pont de Nemours, he outlined a plan for parish assemblies, village assemblies, district assemblies, provincial assemblies, and a General Assembly. Participation would be open to those who owned land (any amount) and earned at least 600 livres per year. Individuals earning less than 600 livres of land would have fractional votes. Unfortunately, with everything else going on, this plan was never presented to the king.

The king's coronation brought Turgot into conflict with the establishment. Traditional-

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ists wanted the coronation at the magnificent cathedral of Rheims, and the clergy wanted the king to take the oath for intolerance, "I swear . . . to exterminate, &c., entirely from my States all heretics . . . condemned by the Church." Church officials insisted, "It is reserved for you to deal the last blow to Calvinism in your kingdom. Order the schismatic assemblies of the Protestants to be dispersed; exclude the sectaries without distinction from all the branches of public administration. Your Majesty will thus assure among your subjects the unity of the Catholic worship."

Because the government was deep in debt, Turgot wanted a much cheaper coronation in Paris, and he objected to the oath. He wrote a memo to the king, *Sur la tolerance*, saying the oath was a bad idea even if nobody seriously contemplated a murderous Inquisition. "The prince who orders his subject to profess a religion he does not believe," Turgot wrote, "commands a crime; the subject who obeys acts a lie, he betrays his conscience, he does an act which, he believes, God forbids. The Protestant who through self-interest or fear makes himself a Catholic, and the Catholic who by the same motives makes himself a Protestant, are both guilty of the same sin." The king decided to throw budgetary considerations to the wind and be coronated at Rheims. He agreed to the dreaded oath, but he mumbled it, and nobody could make out the words.

There seemed to be a favorable omen for Turgot when the king followed his recommendation and appointed Chrétien Lamoignon de Malesherbes as *Maison du Roi* (Minister of the Royal Household), a post which put him in a position to influence the king and help curb extravagance at Versailles.

The budget was a bitter battleground. At the beginning of 1775, the government had revenue of 337 million livres, but only 213 million was left after interest on the debt. The costs of government would be 235 million—hence, a deficit of 22 million livres. Turgot cut many expenses, including sinecures for idle aristocrats.

Meanwhile, Turgot had become convinced that the severity of his country's problems required decisive action. He conceived what became known as the "six edicts."

Two were of monumental importance. Turgot would abolish the *jurandes*—guilds—which monopolized various trades. Like modern labor unions, they enforced barriers to entry for the enrichment of members. Consequently, there were few skilled workers, and they concentrated on making luxury goods. Turgot would permit anyone, including foreigners, to enter any trade except barbering and wig-making. The reason for exceptions was that Turgot offered to compensate people for the loss of their special privileges, and because of the government's financial situation it wasn't possible to compensate members of these two professions.

Turgot's second crucial edict would abolish the *corvée*, the practice of forcing peasants to work on roads without pay. He proposed that all property owners, the primary beneficiaries of road improvements, pay a tax which would provide money for hiring road contractors.

Turgot thought of making these explosively controversial proposals more politically palatable by presenting them with four other proposals which had more support. He proposed abolishing restrictions on the grain trade within France. He wanted to discharge officials who imposed restrictions on the operation of Parisian markets, ports, and docks. He recommended abolishing the *Caisse de Poissy*, a tax on the cattle and meat industry. Finally, he proposed to cut the tax on suet.

During the last several months of 1775, Louis XVI weighed the compelling case for these edicts and the firestorm of opposition they would surely provoke. Turgot suffered another attack of gout and was absent as opposition intensified. Malesherbes cautioned Turgot to go slow, but Turgot, then 48, replied: "The needs of the people are enormous, and in my family, we die of gout at fifty."

Over the objections of his brothers and all of his advisers except Turgot and Malesherbes, Louis XVI endorsed the six edicts, and on February 5, 1776, he presented them to the Parlement of Paris. They resisted, and the king declared, "My Parlement must respect my wishes."

The Parlement supported guilds because many of the members were red-robed lawyers,

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and guilds were a lucrative source of litigation. One notorious case between the guild of tailors and the guild of used-clothes dealers had dragged on for more than 250 years. Led by the Prince de Conti, who expected to lose about 50,000 livres annually if the guilds were abolished, local officials went on the attack to protect their special privileges.

As if these six edicts weren't enough of a challenge for the establishment, Turgot presented another which would abolish laws restricting the wine trade. In Bordeaux, for instance, it was illegal to sell and drink wine from another district. Wines from Languedoc couldn't be shipped down the Garonne River before St. Martin's Day. Wines from Périgord, not before Christmas. Turgot declared: "It is the interest of the whole kingdom we have to consider, the interests and the rights of all our subjects, who, as buyers or as sellers, have an equal right to find a market for their goods and to procure the object of their needs on the terms most advantageous to them."

Lawyers, noblemen, monopolists, clergymen—all were against Turgot. Maurepas, who had appointed Turgot, criticized him in public and maneuvered behind his back. As biographer Douglas Dakin explained, "Merely by refraining from defending Turgot, and merely by confirming Louis's growing suspicions with a word here and there, he was bound in the long run to achieve his object. For everything that came to Louis's ears—facts endlessly distorted, fortuitous happenings which in normal times would have had little significance, the fatuous lies concocted by Turgot's detractors—all came to assume a unity and to take on the character of incontrovertible evidence. . . ." Marie Antoinette, outraged at Turgot's efforts to sack incompetents and cut spending by the royal household, schemed against him. She had no interest in ideas. "I must admit I am lazy and dissipated when it comes to serious things," she told her mother.

"I cannot conceal from your Majesty," Turgot wrote the king on April 30, "the deep pain I have suffered by your cruel silence towards me on Sunday last, after I had in my preceding letters described to you so distinctly my position, your Majesty's own position, the danger that your authority and the glory of your reign were incurring, and the impossibility of my continuing to serve you unless you give me your firm and steady support. Your Majesty has not deigned to reply to me. . . . Your Majesty gives me neither assistance nor consolation. How can I believe that you any longer esteem me? Sire, I have not deserved this. . . ." The king didn't reply.

On May 12, 1776, Turgot was dismissed. He reportedly warned Louis XVI: "Remember, sire, that it was weakness which brought the head of [England's King] Charles I to the block."

Voltaire expressed the feeling of many who hoped for reform. "Ah, mon Dieu, what sad news I hear!" he wrote three days after Turgot's fall. "France would have been too fortunate. . . . I am overwhelmed in despair." The Marquis de Condorcet wrote: "Adieu! We have had a beautiful dream."

Government spending zoomed out of control. Guilds regained their monopoly power. Restrictions again throttled trade. The regime brought back forced labor.

Turgot had probably achieved as much as any human being could without organizing popular support to buck special interests. His experience revealed how fragile were reforms which depended on the goodwill of a ruler. Edicts, it turned out, were no substitute for education of the people.

Turgot moved to a house on the rue de Bourbon, Paris, and he quietly studied science, literature, and music. For Benjamin Franklin, representing American interests in Paris, he wrote *Mémoire sur l'impot* to explain his laissez-faire economic policy.

In one of his last surviving writings, a controversial March 22, 1778 letter to English radical minister Dr. Richard Price, Turgot expressed his support for American independence, although he didn't think the French government could afford to provide financial help. Turgot criticized American state constitutions for establishing a strong executive—"an unreasonable imitation . . . of the usages of England"—rather than lodge all power in a legislature. Turgot denounced chimerical state taxes and tariffs. He urged that Americans "reduce to the smallest possible number

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the kinds of affairs of which the Government of each State should take charge. . . ." He declared that "The asylum which America affords to the oppressed of all nations will console the world." The letter provoked John Adams to make his case for a separation of powers, writing the three-volume *Defense of the American Constitution* which wasn't published until 1787, after Turgot's death. Adams, prickly pear that he was, liked Turgot and described him as "grave, sensible, and amiable."

Turgot suffered more attacks of gout, and after 1778 he could walk only with crutches. His situation became critical in early 1781. He died at home around 11:00 P.M., March 18, 1781. He was 53. His friends Mme. Blondel, the Duchesse d'Enville, and Du Pont de Nemours were by his side.

Having rejected Turgot's peaceful reforms, the French government stumbled from one crisis to another. By 1788, military spending took a quarter of the budget, and half the budget was needed for payments on the national debt which had soared to 4 billion livres. There were riots against taxes. The government was broke, and the king and queen were a pitiful sight as they handed over their silverware to the royal mint. Desperate for funds, the king agreed to summon the Estates-General, an assembly of nobles, clergy, and taxpayers, which hadn't met for one-and-a-half centuries. This became the National Assembly, to which Du Pont de Nemours had been elected. It rebelled against the nobles, and the king made the fateful decision to back the nobles. The National Assembly abolished guilds and some of the worst taxes, and it confiscated church properties. Hatred bred of oppression boiled over, as Turgot had anticipated. On January 21, 1793, Louis XVI was led to a Paris guillotine and beheaded. Marie Antoinette—ridiculed as "Madam Deficit"—followed him to the guillotine on October 16, 1793. The French people suffered through runaway inflation, the Reign of Terror, and the military takeover by Napoleon Bonaparte who plunged the country into more than a decade of war.

Turgot's steadfast friend Du Pont de Nemours, who had been scheduled for the guillotine the very day the Reign of Terror ended and was later rescued by Madame Germaine de Staël, made sure he wouldn't be forgotten. After emigrating to America, Du Pont de Nemours edited a nine-volume edition of Turgot's works (1808-1811). Another French edition of Turgot's works appeared in 1844. And there was G. Schelle's *Oeuvres de Turgot et documents le concernant* (1913–1923), with many documents from the Turgot family. More than a dozen books about Turgot were published during the nineteenth century.

Turgot inspired the economist Jean-Baptiste Say who, in turn, helped inspire the resurgence of libertarian writings in Europe. Leon Say, Jean-Baptiste's grandson, wrote in his 1887 biography of Turgot: "if he failed in the eighteenth century, he has in fact dominated the century following. He founded the political economy of the nineteenth century, and, by the freedom of industry which he bequeathed to us, he has impressed on the nineteenth century the mark which will best characterize it in history." In recent years, Turgot's most ardent admirer has been intellectual historian Murray N. Rothbard who affirmed that "If we were to award a prize for 'brilliancy' in the history of economic thought, it would surely go to Anne Robert Jacques Turgot."

He had a liberating vision. He told the truth. He pursued justice. He was fearless in challenging special interests who everywhere capture government power. He showed why liberty is absolutely essential if the poorest among us are to improve their lives. He displayed the courage and compassion to help set people free. □

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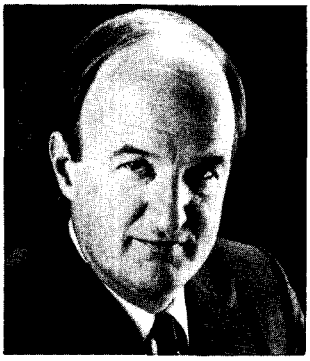

Has Capitalism Failed or Succeeded? The Tale of Two Graphs

"Yet, in the aftermath of the Keynesian revolution, too many economists forgot that classical economics provides the right answers to many fundamental questions."
—N. Gregory Mankiw[1]

The Great Depression of the 1930s brought us Keynesian economics and a broad shift in emphasis from the classical study of economic growth to concern about economic fluctuations and how to subdue the boom-bust business cycle. Postwar textbooks, led by Paul Samuelson's *Economics*, focused primarily on the ups and downs of the capitalist system and how government policy could ameliorate the business cycle. Keynesian economists stressed "countercyclical demand management" and "compensatory fiscal policy" to "iron out the business cycle, with boom surpluses canceling out depression deficits."[2] Economists taught the "New Economics" of "automatic built-in stabilizers," "discretionary fiscal policy," and "fiscal drag." Even free-market economist Milton Friedman focused his research on ways to stabilize the economy through monetary policy.

Indeed, according to the new conventional wisdom, the primary purpose of studying economics was to achieve "short-run stabilization" of the capitalism system. Postwar textbooks abound in the study of cyclical fluctuations, while burying the study of economic growth and development in the back pages.

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The Volatility of Capitalism?

If you look at Graph #1 at the top of the next page, you might agree with this focal point: The business cycle appears to be volatile and the primary problem facing the United States. This graph, published in Michael Parkin's popular textbook, shows real GDP fluctuations from 1869 to 1992.

Graph #1 suggests that the U.S. economy has run amok, suffering untold boom and bust over the past century and a half. According to the critics, capitalism has failed and needs to be tamed.

Is this an accurate picture of the U.S. economy? We all know that games can be played with charts and graphs. Darrell Huff, in his classic book, *How to Lie With Statistics* (W. W. Norton, 1993 [1954]), described the distortions that can occur with a "one-dimensional" picture.

The Long-Term View Favors Economic Growth

Now let's look at Graph #2, which tells quite a different story. This graph highlights real GDP, 1869-1992, rather than changes in real GDP.

Amazingly, Graph #2 also comes from Parkin's textbook. It uses the same statistics, but paints an entirely different picture. Here the overwhelming conclusion is not that the

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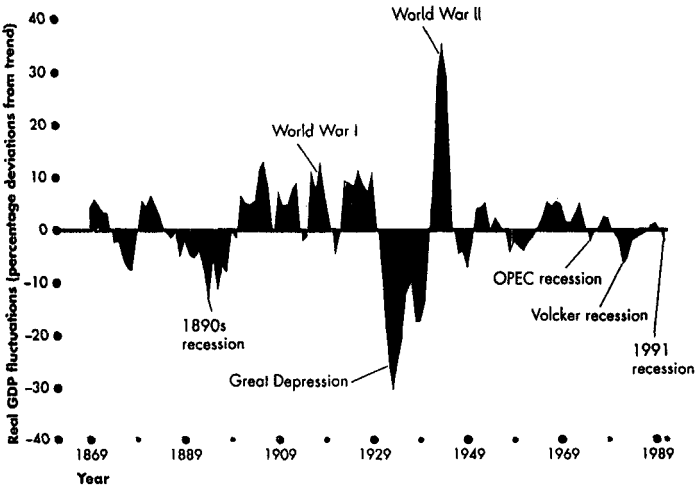
Graph #1: Real GDP Fluctuations, 1869–1992

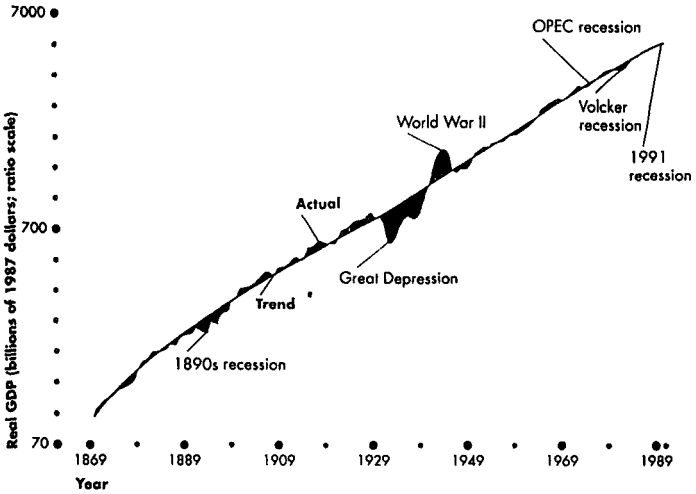


The uneven pace of increase of real GDP is illustrated by tracking its fluctuation measured as the percentage deviation of real GDP from trend. Rapid expansion of real GDP, which occurred during both world wars, puts real GDP above trend. Decreases in real GDP, which occurred during the 1890s recession, the Great Depression, and the three most recent recessions, puts real GDP below trend. The real GDP fluctuations describe the course of the business cycle.

Source: Michael Parkin, *Economics*, 2nd ed. (Addison-Wesley, 1994), p. 596.

U.S. economy is subject to violent fluctuations, but that it has grown dramatically over the past century or more. In this graph, the periods of inflationary booms and recessions are relatively minor. Even the Great Depression is dwarfed by unrelenting economic progress over the long term. The key point is that Americans have enjoyed a dramatic increase in their standard of living over the past century. Capitalism works!

Graph #2: Real GDP, 1869–1992



Between 1869 and 1992 real GDP grew at an annual average rate of 3.3 percent. But the growth rate was not the same in each year. In some periods, such as the years during World War II, real GDP expanded quickly. In other periods, such as the Great Depression and, more recently, following the OPEC oil price hikes, the Volcker interest rate increases, and in 1991, real GDP declined. There were several periods of decline in the nineteenth century as well, one of which is marked in the figure.

Source: 1869–1929: Christina D. Romer, "The Prewar Business Cycle Reconsidered: New Estimates of Gross National Product, 1869–1908," *Journal of Political Economy* 97, (1989) 1–37; and Nathan S. Balke and Robert J. Gordon, "The Estimation of Prewar Gross National Product: Methodology and New Evidence," *Journal of Political Economy* 97, (1989) 38–92. The data used are an average of the estimates given in those two sources. 1929–1958: *Economic Report of the President*, 1991. 1959–1992: *Economic Report of the President*, 1993. The data for 1869 to 1958 are GNP and those for 1959 to 1992 are GDP. The difference between these two measures is small and is explained in Chapter 23, pp. 619–620.

Source: Michael Parkin, *Economics*, 2nd ed., p. 595.

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The Economics Profession Alters Its Viewpoint

For decades, the American economics profession worried about recession, unemployment, and income inequality. Economists endorsed "compensatory" fiscal policy (deficit spending and government expansion) as a way to tame the business cycle. Meanwhile, economic growth slowed relative to other nations.

Now the pendulum has swung back. More and more economists are recognizing the paramount importance of economic growth and rising standards of living rather than business fluctuations and inequality of income distribution. Greg Mankiw, a new Keynesian at Harvard, is a case in point. He places the classical model of economic growth upfront in his *Macroeconomics* textbook, ahead of Keynesian business-cycle theory. He highlights the success stories of countries that have grown dramatically since the end of World War II. It's another sign that free-market economics has triumphed in the academic world. □

1. Gregory Mankiw, *Macroeconomics*, 2nd ed. (Worth Publishers, 1994), preface.
2. Paul A. Samuelson, *Economics*, 8th ed. (McGraw-Hill, 1970), p. 337.

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THE FREEMAN
IDEAS ON LIBERTY

The Undiscountable Professor Kirzner

by Roger W. Garrison

Eugen von Böhm-Bawerk, whose name has come to be virtually synonymous with "roundaboutness" (of capital-using production processes), penned the original Austrian perspective on capital and interest. He wrote three volumes (*History and Critique*, *Positive Theory*, and *Further Essays*) over a span of a quarter of a century (1884-1909). In 1959 the 1,200-plus pages of *Capital and Interest* were translated into English by Hans Sennholz and George Huncke. Ludwig von Mises reviewed the new translation in *The Freeman*, where he described this "monumental work" as "the most eminent contribution to modern economic theory."[1] Mises went so far as to suggest—as only Mises could—that no citizen who takes his civic duties seriously should exercise his right to vote until he has read Böhm-Bawerk!

And now we have Israel Kirzner's *Essays on Capital and Interest* (Edward Elgar, 1996, 166 pages, $59.95). There is no intent on the part of the author or the reviewer to station this volume between the voter and the voting booth. However, the position that this book occupies on the Austro-neoclassical landscape is an eminently strategic one—so strategic as to warrant our issuing a Mises-style taboo, not to voters, but to all economists who adopt the Austrian perspective. But first we must put into perspective this new offering by Professor Kirzner.

The significance of this volume is not diminished by the fact that all its separate parts, except for the 12-page introductory essay, have been published before. With greater accessibility and appearing now together, these *Essays* provide a virtual history—and pre-history—of the modern Austrian resurgence. Three decades ago, well before the resurgence began, Professor Kirzner wrote *An Essay on Capital*. The four parts of this book (on "Unfinished Plans," "Stocks and Flows," "Capital and Waiting," and "Measuring Capital") read like the work of a lone scholar trying—and succeeding in most instances—to satisfy himself. The 1966 *Essay*, possibly the most underrated of all his contributions, appears anew as the longest of the 1996 *Essays*.

In late 1974, Professor Kirzner presented a paper titled "Ludwig von Mises and the Theory of Capital and Interest" in a special symposium at the Southern Economic Association meetings in Atlanta. At that time, a year after Mises's death, and the year that the resurgence began (with a conference in Vermont at which Professor Kirzner was a key participant), there was a small but eager audience for his Austrian perspective. Professor Kirzner shows how Mises's theory differs from Böhm-Bawerk's and how it compares favorably to the theories of J. B. Clark and F. H. Knight. In part a stocktaking, in part

Dr. Garrison is professor of economics at Auburn University.

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a research agenda for himself and for others, this paper was first published in 1976 along with other papers at the SEA symposium and published again in 1979 along with other writings by Professor Kirzner. Its appearance in the present volume provides a perfect segue between his early work on the theory of capital and his later work on the theory of interest.

The final essay, "The Pure Time-Preference Theory of Interest," first published in 1993, is clearly the work of a well-seasoned scholar. Professor Kirzner's good scholarship shines through in all his writings, but here we see him as a veteran of many symposia and conferences complete with their unyielding question-and-answer sessions. His work now has a growing and challenging audience. He responds to criticisms as if he has heard those criticisms many times in many different forms—because he has. The exchanges with allies and critics over the years have allowed him to clarify his own ideas and to offer them in the most rhetorically effective ways.

Ralph W. Pfouts, who offered a generally favorable assessment of the 1966 *Essay* in the *American Economic Review*, suggested that the Austrian perspective is not "the magic wand that makes all mysteries disappear."[2] Professor Kirzner, with his newly published *Essays*, and especially with his essay on the theory of interest, shows that it is very nearly that. Interest is always and everywhere a matter of time preferences. The primordial preference for the sooner over the later is the basis for a unified treatment of intertemporal exchange—whether the exchange is with nature or with other economic actors and whether or not it involves the use of capital. Tracing out the consequences of the systemic discounting of the future provides us with a Copernican account of an economic phenomenon that otherwise would have to be explained by what we might justifiably call Ptolemaic interest-rate theory. Capital-productivity theories and waiting-as-a-factor theories appear strained, partial, and oblique in comparison to the pure time-preference theory—that magic wand so skillfully wielded by Professor Kirzner.

If interest is to be understood in terms of time preferences, capital is to be understood in terms of multiperiod plans. An Austrian subjectivist perspective on capital features the plans of individual entrepreneurs—plans that are subject to revision as the attempts to carry them out reveal conflicts with reality and with the unfolding plans of other entrepreneurs. As Professor Kirzner demonstrates time and again, the forward-looking, plan-oriented account of a capital-using economy wins out over the alternative accounts that focus on some isolated slice of time or on the physical productivity of the produced means of production.

Professor Kirzner's perspective on capital and interest constitutes the essential difference between Austrian economics and neoclassical (particularly Chicago) economics and the essential bridge between Austrian microeconomics and Austrian macroeconomics. The book itself contains much about the essential difference but contains little about the essential bridge. The reason for this lacking is not difficult to explain. While contributing importantly, along with F. A. Hayek and Ludwig M. Lachmann, as a bridge-builder, Professor Kirzner has never actually crossed the bridge himself. The short introductory essay includes a brief explanation of his reluctance to cross over into macroeconomics. According to Professor Kirzner (p. 2), "recent Austrian work on Hayekian cycle theory [and presumably on Austrian macroeconomics generally] seems, on the whole, to fail to draw on the subjectivist, Misesian, tradition which the contemporary Austrian resurgence has done so much to revive."

We can guess what he has in mind here. Austrian macroeconomics features the intertemporal structure of production, the structure being defined as a temporal sequence of stages of production. For concreteness, the sequential stages are commonly identified with broadly defined industries, such as mining, refining, manufacturing, wholesaling, and retailing. Too quickly, all the multiperiod planning that goes on within and between these stages are allowed to gel into a simple Hayekian triangle—with its summary repre-

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sentation of the relationship between the time element in the production process (the roundaboutness of production) and the market value of final output.

The right triangle, which Hayek introduced in his *Prices and Production*,[3] gave him a leg up on Keynes, who paid no attention to production time. Consumer spending was represented by one leg of the triangle. This macroeconomic magnitude had the attention of both Keynes and Hayek. The other leg tracks the goods-in-process as the individual plans of producers transform labor and other resources into the goods that consumers buy. The Hayekian triangle allows us to show that (1) increased saving can make for more output but only in the more-distant future and (2) monetary expansion can deceive the market and derail the process that would otherwise keep production plans on track with intertemporal consumption preference. All this is well and good. But once the theory has been recast as a Hayekian triangle that can be reshaped by preference changes and distorted by policy activism, it is all too easy for the Austrian subjectivist to become a not-so-Austrian geometrician. This is Professor Kirzner's lament.

And so now it is time for our Mises-style taboo: No Austrian economist who takes his subjectivism seriously should draw a Hayekian triangle until he has read Professor Kirzner's *Essays*! There is no inherent clash between the macroeconomic theorizing that the Hayekian triangles facilitate (including the Austrian theory of the business cycle) and the Kirznerian perspective that keeps the triangle adequately subjectivized. Quite to the contrary, it is precisely our understanding of the process that Professor Kirzner elucidates, the ongoing attempts on the part of many entrepreneurs to carry out their individual multiperiod plans (as guided by market rates of interest or as misguided by the central bank's rate of interest), that breathes subjectivist life into those otherwise meaningless triangles.

Professor Kirzner may well believe that if our Mises-style taboo keeps would-be macroeconomists from crossing the bridge without first reading the *Essays*, then the book itself will dissuade the readers—as it has dissuaded its writer—from crossing the bridge at all. Others, however, may believe that even the fullest compliance with the taboo will allow—even facilitate—some subjectively respectable bridge crossings. Austrian macroeconomics is not the oxymoron that some have long suspected it of being. While those practitioners among us will quickly forgive Professor Kirzner for never crossing over into macroeconomics, they can offer nothing but praise for the job of bridge-building that he has done so well. □

1. Ludwig von Mises, "*Capital and Interest*: Eugen von Böhm-Bawerk and the Discriminating Reader," *Freeman*, vol. 9, no. 8 (August) 1959, p. 52.

2. Ralph W. Pfouts, Review of *An Essay on Capital*, *American Economic Review*, vol. 58, no. 1 (March) 1968, p. 98.

3. Friedrich A. Hayek, *Prices and Production*, 2nd ed. (Clifton, N.J.: Augustus M. Kelley, Publishers, 1967 [originally published, 1935]).

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BOOKS

Red Flag Over Hong Kong

by Bruce Bueno de Mesquita, David Newman, and Alvin Rabushka

Chatham House • 1996 • 208 pages • $25.00 cloth; $17.95 paperback

Reviewed by George C. Leef

For decades, Hong Kong has been a favorite subject among those of us who teach economics. To demonstrate the importance of private property, economic liberty, and minimal, noncoercive government, Hong Kong was simply ideal. Here we have a small, rocky, resource-poor bit of land where the above conditions prevailed. Next door is the resource-rich colossus of the misnamed People's Republic of China (PRC) where you find statism, corrupt autocratic rule, and pervasive hostility to personal liberty. (As the authors note, prior to the assault on pro-freedom demonstrators in Tiananmen Square in 1989, the rallying cry of the Communist Party was "Oppose Liberalism.") The wealth and progress enjoyed by the people of Hong Kong stands in dramatic contrast to the backwardness and poverty that characterizes life in the PRC.

Alas, this wonderful experiment in the importance of freedom is jeopardized by the impending transfer of control over Hong Kong from the British to the communist rulers in Beijing. On July 1, 1997, British governance ends and the least authoritarian government on the planet (according to Heritage Foundation's *1997 Index of Economic Freedom*) will be replaced by. . . . By what? The PRC has promised to allow Hong Kong to continue its free-market economic system and liberal society; it has promised free elections and a high degree of autonomy for Hong Kong. But will it abide by these promises?

That is the crucial question that the authors explore in *Red Flag Over Hong Kong*. They conclude that the takeover by Beijing is a grave threat to the free and prosperous little enclave: "Hong Kong is in for a rocky road in the years ahead. Future treatment of Hong Kong will be caught up in the political competition for control of China. Victims of that competition will include the free press, academic freedom, open and fair elections, and some portion of market freedom. Hong Kong will not be as tightly controlled as the rest of China, but neither will it be the free and vivacious place it has been for the past half a century. The political and economic landscape will be filled with uncertainty, cronyism, lost freedoms, and more corruption than has been known in the recent past. It is a bleak picture indeed." They make a persuasive case for their pessimistic outlook.

Hong Kong predicting has become a thriving mini-industry (proving again how politics can alter the allocation of resources) and Bueno de Mesquita, Rabushka (both of the Hoover Institution), and Newman (of Lingnan College) readily acknowledge that a case for optimism can and has been made, but, after a careful examination of the political and economic realities in China, find it to be much more likely that things will deteriorate significantly.

The optimists argue that China needs a thriving Hong Kong for its own economic growth and therefore will refrain from tampering with it. The authors counter that there are many contending factions in China—which is apt to become a more fragmented country in the years ahead—and that those that are threatened by the "bourgeois liberalism" of Hong Kong are more likely to prevail.

The Chinese military, for instance, will play an important role in the future development of the PRC. Many readers will be surprised to find out that the "People's Liberation Army" (PLA) is thoroughly immersed in profit-making business. Much of the transportation of goods takes place in military vehicles. The navy is thought responsible for much of the piracy that takes place in the waters off China. But, the authors say, "The gravy train enjoyed by the military can persist only as long as China is ruled by corruption instead of law. Some members of the PLA, therefore, have strong interests in protecting the status quo." A free Hong Kong, showing the results of an economy based on contract rather than power would be regarded as a dangerous anomaly by many PLA officers.

Also, there are many Communist Party officials who retain the Maoist hatred of capitalist ideas. They ordered the massacre in Tiananmen Square and persist in arresting people who have the temerity to speak out against their regime. These tyrants may not hold on to power in the long run, but they certainly can and probably will reshape Hong Kong to please them as long as they have it.

In fact, the Chinese attack on Hong Kong's freedom has already begun, well in advance of the transfer date. The authors give numerous telling examples, such as Beijing's declaration that the

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Hong Kong press should practice "self-discipline" and be "respectful" of the sentiments of the Chinese rulers. That's a hint not likely to be missed. Even more evidence of Beijing's hostility to freedom in Hong Kong has surfaced since the publication of the book. (See, e.g., "Hitting on Hong Kong," the *Wall Street Journal*, January 22, 1997, p. A1 4.)

The authors remind us how remarkably free Hong Kong has been. The government consumes less than 20 percent of the Gross Domestic Product (compared to over 40 percent in the United States). It imposes no minimum wage law. There are no business subsidies or pointless regulations. There is a flat 15 percent tax on salaries, and no tax on interest, dividends, or capital gains. The currency is stable. Those are virtual laboratory conditions for a demonstration of the creative power of capitalism, but, sadly, they are about to be altered for the worse, the authors contend. Hong Kong may still provide us with useful economic lessons, but the comparison will be between the old, free Hong Kong and the new, more regimented Hong Kong under Beijing's thumb.

Red Flag Over Hong Kong is a fascinating book, revealing the unsavory political struggle that will determine the fate of the six million people of Hong Kong. Congratulations to the authors on a job well done. □

George C. Leef is the book review editor of The Freeman.

Facts, Not Fear: A Parent's Guide to Teaching Children About the Environment

by Michael Sanera and Jane Shaw

Regnery Publishing • 1996 • 300 pages • $14.95 paperback

Reviewed by Gregory F. Rehmke

In *Facts, Not Fear: A Parent's Guide to Teaching Children About the Environment*, Michael Sanera and Jane Shaw cover a wide spectrum of environmental issues and contrast the research of leading scientists and economists with assertions found in textbooks and environmental books for children.

This task is especially challenging because the parents who are the target audience hold their own environmental beliefs. Since reporting on environmental issues is often tilted, it is difficult to provide a balanced overview without sounding tilted the other way. People—and particularly parents—are naturally wary of books that seem extreme.

So as I read *Facts, Not Fear*, I tried to read not only for my own information about environmental issues and textbook teachings, but also with friends and relatives in mind who have children in school. Did an argument seem oversimplified? A conclusion overstated? Was an environmentalist's position presented fairly? My conclusion is that *Facts, Not Fear* does a good job of mainstreaming its message. It succeeds in explaining environmental issues in straightforward and uncomplicated language. Sections on population, natural resources, rain forests, and wildlife all begin with quotations from school textbooks and then calmly compare gloomy textbook perspectives on these topics with the research of leading scholars. *Facts, Not Fear* demonstrates convincingly that school textbooks are misinforming young people about environmental issues.

The authors maintain an even and careful tone while pointing out the disparity between what textbooks try to teach children, and what scientific and economic research suggests should be taught. In the beginning of the book, the established experts that have reviewed each of the chapters on environmental topics are listed along with their academic affiliations. Leading economists reviewed sections on population, natural resources, and water, and a variety of scientists reviewed sections on forests, wildlife, greenhouse warming, the ozone layer, acid rain, and pesticides. Detailed notes and references for each chapter make it easy for skeptical readers to check out key sources themselves.

The chapter on natural resources makes clear that much misinformation is a consequence of textbook authors not understanding economics. "You may face mineral shortages in your lifetime" writes the author of one textbook. "At the current rate of consumption, some scientists estimate that the world's known supplies of oil, tin, copper, and aluminum will be used up within your lifetime," says another. Well, yes, lots of things might happen in a student's lifetime. An asteroid might hit the earth, aliens might invade, or the moon might fall out of the sky. But future resource shortages are far more likely to be the consequence of government price controls than any future inability to locate, extract, and deliver resources to consumers.

These fears of a coming resource shortage come from comparing proven world resource reserves with annual world consumption rates. This is misleading. As Sanera and Shaw explain, "proven"

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reserves are the reserves of a mineral that companies currently know about, and thus they depend on how much effort and technology companies have so far invested in looking. This, in turn, depends on the expected price of a resource. If prices begin to rise or if new technologies allow companies to search less expensively for reserves, then more reserves are likely to be discovered—and "proven" reserves increase.

In addition, it is useful to realize that today's natural resources are yesterday's rocks and rubble. Until entrepreneurs and engineers discovered how to make use of the stuff of the world, peat, bogs, coal deposits, oil, natural gas, and all manner of ores were of little use to mankind. Oil, the authors point out, was a liability to farmers, lowering the value of their land and harming crops and pasture until the technology was developed in 1859 to distill it. Entrepreneurs and inventors search to make today's sand and rubble into tomorrow's valuable natural resources. Textbook statements that we are running low on key minerals are wrong or at least misleading, and the implication that resource shortages might cripple the economic future of our children is indefensible.

Sanera and Shaw detail the fascinating U.S. Geological Survey (USGS) figures of "ultimate reserves"—the amount of recoverable resources estimated to be in the top-half mile of the Earth's crust and the total amounts of particular minerals thought to be in the entire Earth's crust. These are big numbers and show how absurd textbook predictions of shortages are. Consider the aluminum that many textbook authors say may run out. Instead of the 23 years that textbooks come up with by dividing *known* reserves by annual consumption, the USGS estimates, by dividing *ultimate recoverable resources* by annual consumption, that aluminum will last for the next 68 thousand years!

Future technologies will increase even this number by searching deeper in the Earth's crust for minerals. How much total aluminum is there in the Earth's crust? According to the USGS, enough for 38.5 billion years! Perhaps pessimists will still complain, "But what will we do then?" But for most people a few thousand years is enough of a cushion, and is a far cry from the 23-year deadline textbooks give children for aluminum (and 45 years for copper, 21 years for zinc, and so on).

In chapter after chapter, Sanera and Shaw steadily cut through textbook misstatements and misinformation. In addition to replacing fears with facts about the environment, the authors suggest at the end of each chapter exercises and activities that parents might use to engage their children in thinking about this more realistic and upbeat view of the future.

Perhaps the first few chapters will be hardest for skeptical readers. The authors begin the book with their critique of the way environmental ideas are taught in schools and lay out the basics of free-market environmentalism. Perspectives and conclusions are presented without having room to include the full analysis presented later in the book (readers are many times referred to later chapters). The alternative would have been to just launch into the chapters on specific environmental issues. Perhaps in recommending *Facts, Not Fear* to someone skeptical of market-oriented ideas it would be best to point them first to chapters on particular environmental issues.

This is a book worth buying for ourselves, and worth buying to share with friends and relatives who have children in school. I know of no better step-by-step economic and scientific critique of the standard doom and gloom environmental world view. In countering environmental beliefs found in textbooks and taught to children, Sanera and Shaw address a disturbing consequence of the environmental movement—the filling of young minds with a deep and pervasive pessimism about their own future. □

Mr. Rehmke is director of educational programs at the Free Enterprise Institute in Houston.

Up From Poverty: Reflections on the Ills of Public Assistance

edited by Hans F. Sennholz

Foundation for Economic Education • 1997 • 208 pages • $14.95 paperback

Reviewed by Dale Matcheck

This timely collection of essays is a rich and diverse anthology united by a recurring theme, namely, that the welfare of a human being contains spiritual as well as material components. A compelling case is made that the proper role of the state in promoting this welfare is to provide the environment in which people are free to strive, to achieve, and to live with the expectation that they may enjoy the fruits of their own labor. The articles represent some of the best writing that has appeared in *The Freeman* on the subject of the welfare state.

In his excellent introduction, Hans Sennholz

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argues that the era of experimentation with socialism and welfare statism is coming to a close, and that the passage of federal welfare reform in 1996 is a harbinger of more changes to come. What these changes are, Sennholz does not specify, but he makes it clear that it will be difficult for recipients of public assistance to move into private-sector jobs unless the legal obstacles that destroy so many entry-level opportunities are removed. He reminds us that transfer payments are not the only "entitlements" created by the welfare state. Compulsory unionism, heavy payroll taxes and mandated benefits, minimum wages, occupational licensing, and other constraints imposed on labor markets have greatly reduced upward mobility among the poorest members of society.

Furthermore, the public school monopoly has left so many young people without basic skills necessary to compete in today's labor market. However, if we are to judge by the recent debate concerning the minimum wage, the Congress is not prepared to pass, nor is the public prepared to accept, the reforms necessary to create a truly free labor market. The new direction of public policy remains very much in doubt. Already, there are proposals to replace welfare with workfare, while some have suggested a simple privatization of the entitlement system, with private nonprofit agencies replacing the state bureaucracies.

The authors represented here would clearly take issue with the idea that forcible redistribution of income can produce desirable effects on society, no matter who is administering the system or what the work requirements may be. William Graham Sumner's classic essay "The Forgotten Man" calls into question the morality of even well-intentioned redistribution schemes, while Henry Hazlitt's essay "False Remedies for Poverty" explains clearly why the goals of such programs are so rarely realized in practice. Other articles chronicle the unfortunate consequences of these policies using historical examples from ancient Rome to modern Sweden. The final article in the collection is must reading for every American high school student. In it, Bertel Sparks uses examples drawn from the American experience to support his contention that effort made by individuals, striving to improve their lot in life, continues to be the surest route out of the "poverty trap."

The implication of this anthology is clear: freedom is a necessary component of any true measure of individual welfare. As Milton Friedman has observed, government programs that seek to expand the material well-being of citizens at the expense of their freedom are likely to end up providing less of both. Readers seeking to better understand the social, economic, and political impacts of the welfare state will find this collection of essays a valuable resource. □

Dale Matcheck is assistant professor of economics at Northwood University, Midland, Michigan.

Libertarianism: A Primer

by David Boaz

The Free Press • 1997 • 228 pages • $23.00

Reviewed by John Attarian

With statism's failures obvious, and Americans' disgust with statist government and politicians burgeoning, David Boaz's accessible book is a handy and timely introduction to an appealing alternative.

Opening with a brisk presentation of essential ideas, Boaz defines libertarianism as "the view that each person has the right to live his life in any way he chooses so long as he respects the equal rights of others." Government's proper role is to protect our rights to life, liberty, and the pursuit of happiness, not initiate the use of force. Courageously, Boaz rightly contends that "the most important political value is liberty, not democracy." All political theories are essentially one question: "Who is going to make the decision about this particular aspect of your life, you or somebody else?"

Concisely but comprehensively, Boaz presents the history of libertarianism, tracing it to a drive for religious freedom and including the contributions of St. Thomas Aquinas, the Scholastics, and the Levellers, as well as more familiar figures like John Locke and Thomas Paine. His explication of rights is likewise superb. Self-ownership and property rights are cogently spelled out, and the nonaggression axiom—"No one has the right to initiate aggression against the person or property of anyone else"—receives due prominence. His detailed treatment of the justice of distributions arrived at through just means and his argument that property rights are *human* rights, and indispensable since we live and act in a material world, are especially valuable. To his credit, Boaz insists on equality of rights only, not opportunity or outcomes. There is also a fascinating, thought-provoking treatment of emergencies. Acknowledging that dire situations (e.g., natural disasters) may arise where rights might not apply, Boaz nevertheless commonsensically concludes that we do live in mostly normal

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situations, so "Our ethics should be designed for our survival and flourishing in normal conditions."

His treatments of market processes, civil society, law and the Constitution, health care, and the costs and failures of America's burgeoning Leviathan are other strong points. In showing that most American "poor" are affluent by historical standards and that before welfare, Americans took care of their own with numerous mutual-aid societies, Boaz ably rebuts the charge that welfare is essential because charity won't suffice.

Also welcome is his explication of what libertarianism *isn't.* "Libertarianism is neither libertinism nor chaos." "Libertarians never suggested that people be 'emancipated' from the reality of the world, from the obligation to pay one's own way and to take responsibility for the consequences of one's own actions."

A weakness in the book is that Boaz's case for liberty is overwhelmingly economic and technocratic: it makes us prosperous and promotes technological progress. "The biggest issue for most Americans in the 1990s is preserving economic growth." Oh? The biggest concern for many of us is, arguably, our disintegrating social fabric and rising barbarism. The Information Age will, he confidently predicts, make the clumsy state "obsolete." Government's "discoordination of the market process is making us less prosperous than we could be" and impeding progress; high-tech entrepreneurs will increasingly just bypass it. In a nutshell: Out of the way, government, you're obstructing progress!

Because of this focus, Boaz skates over the tough social issues. Boaz's technocratic economism will not convince religious conservatives who do not see consumption as their purpose in life and who hope for Heaven rather than a high-tech Brave New World. Their concerns are valid, but left unaddressed.

Given the reality of evil, and the imperative of preserving a safe, wholesome living environment, prudential constraints on conduct *in the public square,* as opposed to one's home (which Boaz sees, rightly, as one's castle), make sense. Laws against indecent exposure and inciting to riot, say. Perhaps Boaz will engage conservative concerns in future works. He doesn't here.

But overall, he performs ably. As a concise, competent introduction to libertarianism, Boaz's primer can't be beat. Perhaps "the libertarian moment" has arrived. If libertarianism seizes its moment, it will be thanks in no small part to this book. □

Dr. Attarian is a freelance writer in Ann Arbor, Michigan.

Epitaph for American Labor

by Max Green

AEI Press • 1996 • 207 pages • $24.95

Reviewed by David Kendrick

From a former New York representative of the American Federation of Teachers (AFT) comes *Epitaph for American Labor,* which, according to its author, Max Green, "testifies to a reversal of my own thinking.... Whatever was true of yesterday's [union] movement, today's movement practices a variety of reactionary leftism that opposes America's values and interests." With Big Labor conspicuously flexing its political muscles these days, a book that deflates its pretensions is most welcome.

It was not always like this, Green writes, as he recalls the pragmatic nature of organized labor's leadership pre-New Deal: "Through its first century, the American trade union movement was distinguished by its rejection of socialism." This moderation was due primarily to the leadership of Samuel Gompers, founder of the American Federation of Labor (AFL), who, perceiving the state as the "executive arm of the dominant economic class ... saw nothing to be gained by bringing government into the equation between business and labor."

Indeed, Green points out, the union movement's "top priority during the Gompers era was the passage of legislation to keep government *out* of labor-management disputes," culminating with the 1932 Norris-LaGuardia Act exempting union officials from antitrust lawsuits. (Unfortunately, organized labor had succumbed to the temptation to resort to politics by this time—Norris-LaGuardia also outlawed antitrust lawsuits, "yellow dog" contracts under which employees agreed as a condition of employment not to join a union.) As late as 1938, union officials in the Gompers tradition *opposed* a minimum wage, according to Green, "out of fear that if government could impose a minimum wage, it could also impose a maximum wage." Contrast that early opposition of union leaders to the incessant, multimillion-dollar campaign in which the AFL-CIO hierarchy succeeded in bludgeoning enough Republican congressmen to raise the minimum wage last year.

While this turn in the union hierarchy's attitude toward state intervention has been well-documented, Green breaks new ground in our understanding of Big Labor's role in the Cold War, taking issue with the often-expressed idea that the

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unions were important in the victory over communism.

As the Cold War was beginning in the late 1940s, David Dubinsky, president of the International Ladies Garment Workers Union, proclaimed that "whether democracy was to revive in the countries overrun by Hitler and Mussolini lay in the trade unions." By this rationale, the principal weapons against the expansion of Soviet hegemony lay in the herding of workers into union ranks, and such so-called "democratization" schemes as the expropriation of privately owned land for redistribution by the state, or "land reform."

In Vietnam, for example, the redistribution of land, intended to "win hearts and minds," but imposed on the South Vietnamese people by the United States at the AFL-CIO's insistence, led to "resentment, felt at several levels of Vietnamese government and society, of interference by foreigners." In the end, Green concludes, these social efforts to undermine the internal insurgency of the Viet Cong were just "a sideshow diverting attention from the harsh but essential task of meeting the military challenge from the North."

During the 1980s, the Reagan Administration sought to rebuild U.S. defenses while reducing the budget deficit. But the AFL-CIO's executive council insisted, first, on smaller increases than what Reagan thought was necessary, then later in the decade, that "if vital [domestic] programs are to be cut or frozen, defense spending must also be frozen." And in 1983, six of the AFL-CIO's ten largest unions supported the nuclear freeze.

While unionists and their more avid supporters have made much of the AFL-CIO's support for the Solidarity trade union as a factor in bringing down the Iron Curtain, Green points out that the periodic and futile labor protests which had continued in Poland since 1956 would probably have "continued indefinitely had it not been for ... a transformed Catholic Church."

In the wake of Pope John Paul's 1979 visit to Poland, Solidarity leader Lech Walesa recounted that "millions of unorganized and unaffiliated Poles had suddenly seen themselves as a community under the leadership of the church—an experience that a year afterward had led to the creation of Solidarity." According to Green, this outpouring of emotion, coupled with a new alliance between the Church and dissident intellectuals "formed the basis for the birth of Solidarity as a liberation movement, as distinguished from an ordinary trade union." Thus, Solidarity's role in liberating Poland had far more to do with the unification of all Polish society than it did with traditional trade unionism.

Union officials have coerced and even terrorized millions of workers they claim to represent, but their big-government, socialistic agenda is contrary to their interests. There are no more excuses to disregard the natural right of employees to decide for themselves if a union deserves their financial support. □

David Kendrick is program director for the National Institute for Labor Relations Research, a charitable organization providing research and analysis on the social and economic inequities of compulsory unionism.

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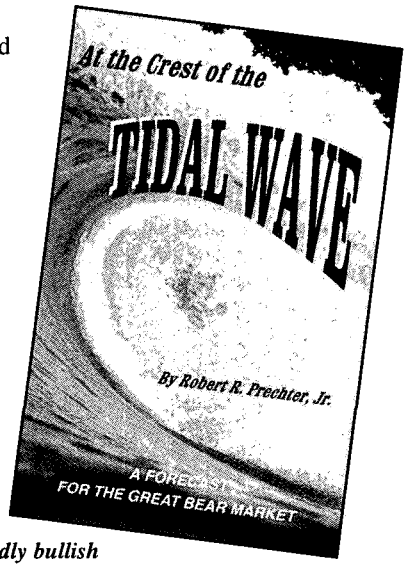

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